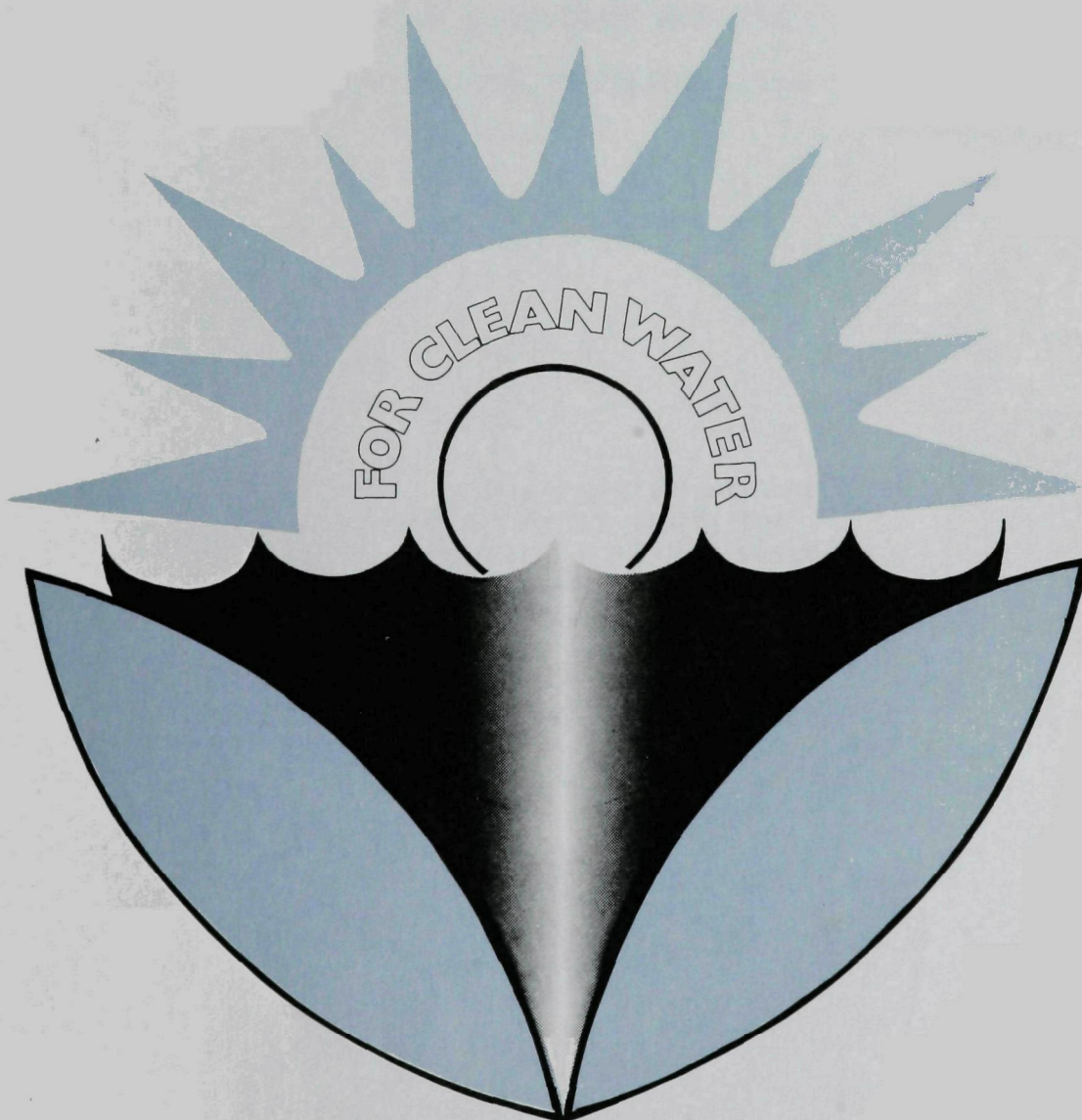




**1990**

**PRELIMINARY DRAFT  
STRATEGY FOR MUNICIPAL  
WASTEWATER TREATMENT  
—MANAGEMENT**



PRELIMINARY DRAFT 1990 STRATEGY FOR  
MUNICIPAL WASTEWATER TREATMENT

TASK II - MANAGEMENT STRATEGY

OFFICE OF WATER AND WASTE MANAGEMENT  
U.S. ENVIRONMENTAL PROTECTION AGENCY

"This paper presents a preliminary draft strategy, proposed by EPA staff, for improving the national municipal wastewater treatment program. EPA is now considering the positions offered here. The document is intended for public review and discussion to assist EPA in developing its final 1990 Strategy."

January 16, 1981

## PREFACE

The proposals presented in the Strategy are the result of both a major effort within the U.S. Environmental Protection Agency and extensive participation on the part of the interested public through meetings and the distribution of relevant issue and background papers prepared by EPA.

The 1990 Strategy was prepared under the guidance of Eckardt C. Beck, Assistant Administrator, Office of Water and Waste Management; James N. Smith, Associate Assistant Administrator, Office of Water and Waste Management; and Henry L. Longest II, Deputy Assistant Administrator, Office of Water Program Operations.

The Chairman of the 1990 Strategy effort within the Agency was Merna Hurd, Associate Assistant Administrator, Office of Water and Waste Management. The Deputy Chairman was Carl Reeverts, Office of Water Program Operations.

The Chairmen of Task II - Management Strategy were Carl Reeverts, Office of Water Program Operations, and Ron Brand, Office of Planning and Management.

Further assistance in Task II was provided by The Synectics Group (TSG), David Haun, Office of Water Program Operations, and Tom Kelly and John Thillmann, Office of Planning and Management.

## CONTENTS

I.	INTRODUCTION . . . . .	1
	Objective . . . . .	1
	Structure of the Strategy . . . . .	2
II.	EXECUTIVE SUMMARY . . . . .	5
	Overview . . . . .	5
	Current Program Description . . . . .	5
	Strategy Concept . . . . .	7
	Roles Under the Environmental Manager . . . . .	7
	Major Strategy Recommendations . . . . .	8
	Conclusion . . . . .	9
III.	CURRENT PROGRAM DESCRIPTION AND PROGRAM ASSESSMENT . . . . .	11
	Institutional Setting--Background . . . . .	11
	Program Resources--Status and Problem Areas . . . . .	14
	National Program Management--Current Systems and Problem Areas . . . . .	16
	Delegation--Current Status and Problem Areas . . . . .	18
IV.	MAJOR STRATEGY ISSUES . . . . .	23
	Introduction . . . . .	23
	The Federal Role Under Delegation--1990 Objectives (Issues 1 and 2) . . . . .	24
	Federal Policy to Reach Full and Effective Delegation (Issues 3 and 4) . . . . .	27
	On-Going Oversight of State Programs (Issues 5, 6, 7, and 8) . . . . .	30
	On-Going Assistance to States to Improve and Sustain Program Performance (Issues 9, 10, and 11) . . . . .	38
V.	PROPOSED MANAGEMENT STRATEGY . . . . .	43
	Management Concept . . . . .	43
	National Objectives . . . . .	44
	Roles Under the Environmental Manager . . . . .	44
	Discussion of Substrategy Areas . . . . .	45
	Major Recommendations . . . . .	48

VI.	ACTION PLAN . . . . .	51
	Federal Role Under Delegation--1990 Objective . . .	51
	Federal Policy and Management to Reach Environmental Manager Role . . . . .	52
	On-Going Oversight of State Programs . . . . .	52
	On-Going Program Assistance to the States . . . . .	53
APPENDIX A:	Delegable and Non-delegable Activities . . . . .	59
APPENDIX B:	Current Management Option with Existing EPA Resources-Summary . . . . .	61
APPENDIX C:	Listing of Staff Papers Written For Management Strategy . . . . .	65

## CHAPTER I

### INTRODUCTION

The 1990 construction grants management strategy has been prepared with the cooperation of State, Regional and Headquarters staff. Numerous background issue papers were drafted and circulated to encourage participation from these and other related groups. In addition, an EPA/State workshop was held in October to evaluate the various issue papers and a conference was held in November to provide detailed input into the drafting of the 1990 Strategy.

#### OBJECTIVE

The objective of the 1990 management strategy is to develop a management and funding approach to the construction grants program in the 1980s that would achieve two co-equal outcomes by 1990:

- State Self-Sufficiency, both in funding capability and overall management of the program. (Return the program to its proper place in our federal system.)
- Protection of National Interests and Objectives, in terms of national water quality goals and stewardship of federal funds. (Maintain the national perspective of the program across the States.)

These two outcomes are compatible, but they do not individually lead the program in the same direction (e.g., a push toward total state self-sufficiency and independent action could lead toward a recommendation of an unrestricted block grant and a lessening of EPA oversight, as States can better be self-sufficient if the objectives are few.) The strategy fashions a program recognizing the "creative tension" between these two co-equal outcomes.

The objective of the management strategy is to present a management framework that will facilitate the transition of the program: a transition that will ultimately result in EPA being the Environmental Manager of the overall program, the States assuming project and program management, and a more self-sufficient status for the States and municipalities.

The management strategy proposes several significant changes to the current institutional structure, including the roles and responsibilities of the various levels of government, and outlines a series of specific management proposals to accomplish these changes. The recommendations will result in more effective management and administration

of program operations at all levels, recognizing both the national objectives of the Clean Water Act (CWA), the construction grants program, and the unique Federal-State-local relationship necessary to achieve these objectives.

A number of assumptions underlie the development of this management strategy:

- Legislative changes proposed in the strategy will be enacted, particularly related to amendments giving EPA authority (a) to withdraw and use the 2% funds under Section 205(g) under certain conditions and (b) to terminate or suspend grant assistance to projects in a State with poor and deteriorating program performance.
- Federal and State funding will be sufficient to cover all delegation requirements.
- States will assume full responsibility for day-to-day operation of the program, based on delegation agreements negotiated with EPA, and be held accountable to EPA for meeting national program objectives.
- National EPA objectives will continue to include a mix of environmental, fiscal, and technical considerations derived

These assumptions (and in some cases, recommendations) are basic to the success of the management strategy. If one or more of the assumptions is not realized, adjustments to the strategy will be necessary.

## STRUCTURE OF THE STRATEGY

The basic State and EPA roles in the strategy are significantly different from those that have evolved to date. The new role of EPA, characterized as the "Environmental Manager," will move EPA out of project-by-project decision making and into national program management concerns. This change will carry with it major new State responsibilities for program performance, with the State accountable for project fiscal, technical, and environmental integrity. The strategy addresses both how and when this shift will occur.

- Chapter II: Executive Summary -- presents the concept of the management strategy and how this concept differs from the current management approach, discusses the Federal role in ensuring that national objectives are satisfied, and provides an overview of the proposed strategy elements.

- Chapter III: Current Program Description and Problem Assessment-- provides a discussion of the program, participants' roles, program management systems and the status of delegation.
- Chapter IV: Major Strategy Issues-- provides an assessment of the major strategy issues under four specific strategy areas.
  1. Federal Role Under Delegation;
  2. Federal Policy Needed to Reach the Environmental Manager Goal;
  3. On-Going Oversight of State Programs; and
  4. On-Going Assistance to States to Improve and Sustain Program Performance.
- Chapter V: Management Strategy -- presents the 1990 management concept, shows how the concept responds to national objectives, identifies the changed roles of the participants, and delineates the major management actions that will occur to achieve the overall 1990 objectives.
- Chapter VI: Action Plan -- presents a time and milestone reference for the specific management actions proposed in the strategy.



## CHAPTER II

### EXECUTIVE SUMMARY

#### OVERVIEW

The goal of the Overall 1990 Strategy is to provide State and municipal self-sufficiency, and to achieve national water quality and related objectives. The management strategy provides a framework by which management of the program could be established toward these goals. The result -- a strategy that significantly changes the management approach of the program. The strategy calls upon the States to manage their programs, municipalities to become more self-sufficient, and the Agency, as the program's Environmental Manager, to focus on national program objectives.

#### CURRENT PROGRAM DESCRIPTION

For almost 25 years the federal government has participated with State and local governments in controlling and abating water pollution. As a result, water pollution control programs are among the oldest and most established of the government's current environmental programs. The Clean Water Act (CWA) established a set of rights, responsibilities, and obligations comprising an intricate web of intergovernmental relationships; a categorical assistance grant program; a delegable regulatory scheme applicable to all levels of government, to industry, and to agriculture; and a public participation mandate in both governmental decision-making and regulatory activities. This network is perhaps more complex than any other institutional and management arrangement used to pursue and accomplish a national goal.

#### Management Structure

The construction grants program is administered and managed within a multi-level organizational structure, with responsibility decentralized within EPA to the ten Regions and delegated States. The federal, State and local governments share principal responsibility for meeting the program objectives.

EPA is currently the direct manager of the entire grants program; however, it delegates specific tasks to States and oversees their performance. Through a series of regulations, Program Requirements Memoranda (PRMs), and Program Operations Memoranda (POMs), EPA interprets the CWA and establishes policies and manages delegation.

## Delegation

EPA is now delegating substantial elements of the construction grants program to State agencies, in accordance with the congressional mandate in Section 205(g) of the Clean Water Act. EPA has differentiated the types of responsibilities which it can delegate to States from those which it must manage directly by means of the following categories:

- Category 1--Nondelegable Activities--These activities cannot be delegated to the States nor to the Corps of Engineers (who now provide Step 3 resources), either because delegation is restricted by regulation or because the activity is EPA-specific (such as "Management of Delegation").
- Category 2--Technically Nondelegable Activities--These activities are technically nondelegable and the final review responsibility will remain with EPA. However, the State or the Army Corps of Engineers may, under delegation, assume a strong staff role in support of EPA. Consequently, although these activities are considered technically nondelegable, in fact a large portion of the staff work may be delegated.
- Category 3--Delegable Activities--These activities are considered fully delegable, assuming an adequate oversight role by the Regions.

The specific activities within each of these categories which can or cannot be delegated to the States are listed in Appendix A.

Of the 52 States and territories that are candidates for delegation (excluding the Virgin Islands and four Pacific Territories), 46 have signed or are planning to sign 205(g) agreements by the end of FY 82.

In addition to State delegation, EPA has an Interagency Agreement with the Corps of Engineers to provide technical and management assistance in Step 3 related activities.

With the advent of increased delegation, EPA has been planning to gradually move away from procedural oversight to program management oversight. Currently, EPA has been monitoring States on a State-by-State basis, as the Agency lacks a consistent, uniform delegation oversight program.

## STRATEGY CONCEPT

The management strategy reflects the already changing nature of the program's management and moves to decisively establish management policy direction for the program and its participants.

The three major modes of operation were considered for EPA during the background discussions and analysis leading to formulation of the present strategy:

- EPA the Supervisor - or Project Manager
- EPA the Franchiser - or Program Manager
- EPA the Environmental Manager - or Regulator

Each has different implications, responsibilities and authorities for management of the program (Chapter IV provides a complete discussion).

Through the analytical process of developing the 1990 Strategy the concept of EPA as the Environmental Manager gathered increased support. Though it is a major departure from current operations and management approach, it is defended as the most effective and appropriate role for the Agency in its effort to achieve the dual goals of protecting national interests and facilitating State and municipal self-sufficiency.

## ROLES UNDER THE ENVIRONMENTAL MANAGER

EPA	STATE	MUNICIPALITY
<ul style="list-style-type: none"><li>● SERVE AS THE NATIONAL PROGRAM MANAGER (RESPONSIBLE FOR ENSURING THAT NATIONAL OBJECTIVES ARE MET)</li><li>● FORMULATE NATIONAL POLICY AND EVALUATE NATIONAL PROGRAM PERFORMANCE AGAINST THE POLICY.</li><li>● PROVIDE TECHNICAL AND MANAGEMENT ASSISTANCE TO STATES TO IMPROVE AND SUSTAIN PROGRAM PERFORMANCE.</li><li>● INTERVENE IN THOSE SELECT PROJECTS THAT HAVE AN OVERRIDING FEDERAL INTEREST</li><li>● MAINTAIN THE NATIONAL MANAGEMENT INFORMATION SYSTEM</li></ul>	<ul style="list-style-type: none"><li>● MANAGE PROJECT OPERATIONS FROM PRE-APPLICATION ASSISTANCE TO PROJECT CLOSEOUT AND AUDIT RESOLUTION.</li><li>● MANAGE THE STATE PROGRAM TO COMPLY WITH NATIONAL OBJECTIVES.</li><li>● ASSIST IN NATIONAL POLICY DEVELOPMENT, INCLUDING IMPLEMENTATION OF THOSE POLICIES WITHIN THE STATE.</li><li>● REVISE AND PROMULGATE NEW STATE REGULATIONS REFLECTING NATIONAL OBJECTIVES.</li><li>● SUPPORT THE NATIONAL MANAGEMENT INFORMATION SYSTEM, INCLUDING PROVIDING PROJECTIONS OF FUTURE PROGRAM OUTPUTS FOR NATIONAL PROGRAM USE.</li><li>● PROVIDE GRANTEEES WITH INFORMATION, TRAINING, AND ASSISTANCE FOR MANAGING THE PLANNING, DESIGN, CONSTRUCTION, AND OPERATIONS OF POTWS.</li></ul>	<ul style="list-style-type: none"><li>● ESTABLISH EFFECTIVE FINANCIAL MANAGEMENT SYSTEMS.</li><li>● OPERATE AND MAINTAIN WASTEWATER FACILITIES TO COMPLY WITH NATIONAL WATER QUALITY OBJECTIVES.</li><li>● CONTINUE TO PLAN AND CONSTRUCT FACILITIES TO FURTHER ABATE WATER POLLUTION.</li><li>● PARTICIPATE IN STATE TECHNICAL AND MANAGEMENT ASSISTANCE PROGRAMS.</li></ul>

## MAJOR STRATEGY RECOMMENDATIONS

### The Federal Role Under Delegation

The federal role under delegation should be that of an Environmental Manager. This includes not only changed responsibilities presented on the preceding figure but also a reorientation of the grant mechanism to allow State administration of the federal grant, including the making of grant offers, payment processing, and other federal fiscal activities. To support the changed direction and new responsibilities for EPA and States, the States will share in developing policy for the program.

### Federal Policy to Reach Full and Effective Delegation

To reach full delegation (the most critical aspect of EPA's ability to assume the role of Environmental Manager), specific changes are required in how the program is currently operated and legislatively directed. In particular, this includes reclassifying all activities as delegable.

The strategy recognizes the States to be managers of the program. It recommends that the Corps Interagency Agreement be amended to allow fully delegated States to participate in Corps/EPA negotiations on, for example, workload and division of responsibility.

### On-Going Oversight of State Programs

To ensure that national objectives are met, the Agency will establish a uniform oversight program. The thrust of this program will be to monitor State programs for quality and timeliness of projects funded and integrity and management of the program to ensure that the national objectives are met.

The evaluation mechanism to implement this will combine EPA evaluation and a State management-by-objectives (MBO) system. The MBO system will allow State-specific considerations to be made. States will develop, and negotiate with EPA, a schedule for meeting the program's (1990) objectives. Annually, the State will submit a report detailing the State's progress towards meeting the objectives which will be reviewed by the appropriate Regional office. In addition, EPA will conduct an annual evaluation of State programs focusing on national objectives: the program's fiscal integrity, that high quality, environmentally sound, and cost effective projects are being funded. Specific performance measures to be used in these evaluations will be developed.

A system of incentives and sanctions to sustain State performance will be implemented. This may include incentives and sanctions such as annual reports, assistance, rewards, loan guarantees and (in extreme cases) termination or suspension of grant assistance. EPA will request authority from Congress to both (a) allow EPA to withdraw and use the 2% funds under Section 205(g) for non-delegated and poor performing States and (b) allow EPA to terminate construction grants assistance to projects in a State with severe and deteriorating performance problems.

## On-Going Assistance to States to Improve Performance

The Agency will provide both technical and management assistance to improve and sustain the delegated programs. A national program of technical assistance, located at Headquarters, Regions or in environmental research centers, will be available to each State. Technical assistance could include, for example, assistance on water quality, energy conservation or implementing NEPA responsibilities. Special assistance would be provided to each State as necessary in areas of overriding federal interest. Management assistance, including managerial assistance, training packages and manpower planning, will be provided.

Both technical and management assistance will be provided to any State upon request or by any State receiving a poor evaluation of their program management and operation.

To support the management of the program, EPA will develop a computerized Management Information System that is compatible with State needs and the evaluation system.

## CONCLUSION

The 1990 management strategy represents a significant departure from the current management plan. It presents a new perspective for the Agency and the delegated States, as each assumes new responsibilities. The strategy responds to the already changing nature of program management (i.e., delegation), and the movement toward State self-sufficiency (focusing on State management of the program). At the same time, it responds to the need to protect national interests and ensure that national objectives are met through systematic monitoring of State program performance. The strategy represents a realistic image of this changing nature in the program and of EPA's role in managing the transition while ensuring that national goals are satisfied.

## CHAPTER III

### CURRENT PROGRAM DESCRIPTION AND PROGRAM ASSESSMENT

The institutional system in place for management of the construction grants program must address extremely complex and varied conditions to properly meet the objectives of the Clean Water Act. The legislation itself complicates the administration and management of the construction grants program through its requirements for separate planning, permitting, and enforcement mechanisms. In addition, the different levels of organizational authority and responsibility complicate the management of the program.

The management strategy uses as its starting point the institutions, intergovernmental relationships, and systems that have developed over the last 25 years in this program. A summary of the current situation and related problems is presented below as an aid to understanding and assessing how the 1990 management strategy affects and improves current program management.

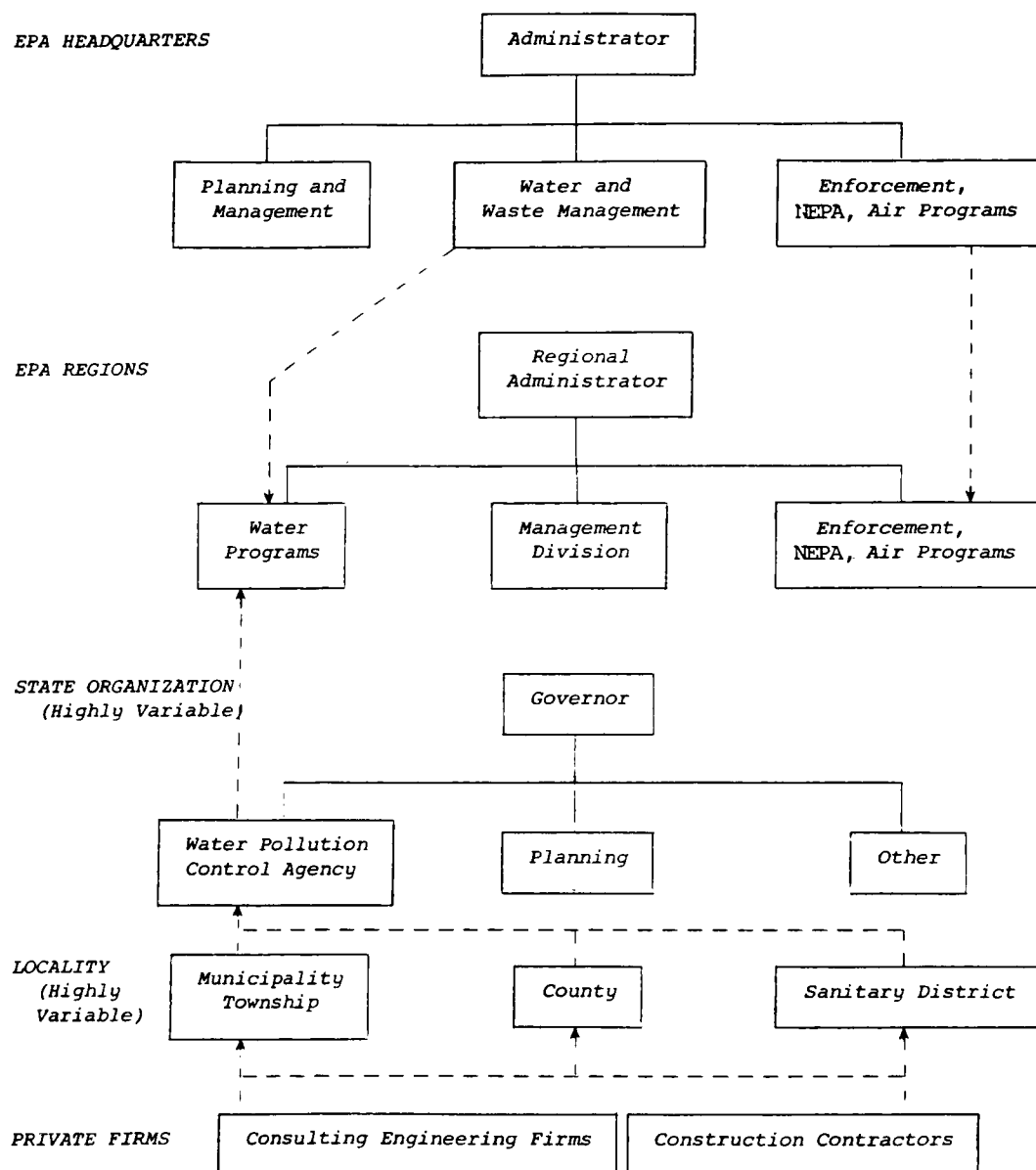
#### INSTITUTIONAL SETTING -- BACKGROUND

The construction grants program operates in a multi-level organizational structure, with responsibility decentralized within EPA to the ten Regions. Five organizational layers, both within and outside of EPA, must communicate with each other and function together to administer the program properly, with governments on the federal, State and local level sharing principal responsibility for meeting the program objectives. Figure III.1 depicts the five layers of organization, and notes the primary functions of each prior to delegation. They are briefly described below.

EPA Headquarters has an indirect (but major) impact upon the construction grants program as a result of the decentralized operation and management of EPA Regions. It plays a critical role in defining the objectives of the construction grants program; providing regulations, policy, and guidance on the methods of operating the program; and measuring the progress of the program versus the program objectives.

The EPA Regions are the principal operating arm of EPA for the construction grants program. EPA Regional Administrators currently have the regulations and policy to meet the specific needs of the Region. The Regions directly impact program operations through management of the grants process and approval of all outputs from the municipalities. Delegation to the States will cover most of the direct operations of the EPA Regions.

FIGURE III.1 LAYERS OF RESPONSIBILITY  
AND PRIMARY FUNCTIONS OF EACH



The State agency responsible for preparing and certifying project priority lists and water quality management plans, as well as reviewing and certifying construction grant applications, appears in a variety of forms from State to State. Such an agency will typically fall into one of the following organizational categories:

- State Health Department Model: Water pollution control is included as a function in such a department.
- "Little EPA" Model: An agency in which the main functions are pollution control and environmental protection.
- "Super Agency" Model: The agency has other responsibilities than the environmental; for example, conservation, forestry, coastal zone management.
- Unclassified Organizations: Such as Regional-State board systems.

Local public bodies responsible for the treatment of wastewater exist in a number of different governmental forms, including the following:

- Incorporated municipality
- Township
- County
- Sanitary or utility districts.

The responsible locality participates in nearly every step of the construction grants process, from initial planning through the operation and management of wastewater treatment systems.

Private firms, experienced in the design of sanitary engineering facilities, may provide services ranging from the preparation of plant design and specifications to grant applications preparation, municipal budgeting assistance, and coordination of financing sources. Engineering firms often function as a "de facto" department of public works for many small communities. Construction contractors perform the direct construction work, under contract to the locality.

In addition to the intergovernmental relationships outlined above, program operations are also affected by the internal EPA management structure and the division of program responsibilities among the various offices. Two points regarding this internal management approach are relevant:



- EPA has a matrix approach to management, with the individual Regional Administrators (RA) responsible for operational control over the program in their Regions (including allocation of resources) and the Assistant Administrator (AA) in Headquarters responsible for national program performance. The AA is held accountable by the Administrator, OMB, Congress, and the public for meeting program objectives, despite the fact that the RA awards the grants and reviews all project documents. This matrix approach goes beyond the Headquarters/Regional relationship experienced in most other federal programs.
- Within EPA, responsibilities for program performance are divided across offices, with at least four separate offices influencing program direction. The main operational office is the Office of Water and Waste Management (OWWM), but separate policy is set by the Office of Environmental Review (NEPA), the Office of Civil Rights (MBE, Civil Rights), the Office of Enforcement (NPDES permits), and the Office of Air, Noise, and Radiation (Section 316 policy).

This internal matrix organization and division of responsibility, in conjunction with the external layers of responsibility inherent in our federal system and the legislation, defines the institutional setting under which the program must operate.

#### PROGRAM RESOURCES -- STATUS AND PROBLEM AREAS

The personnel resources currently assigned to the program across the three principal institutional levels are summarized in Table III.2.

TABLE III.2 RESOURCES ASSIGNED AT VARIOUS LEVELS (FY 1980)

	<u>Workyears</u>	<u>% of Total</u>
EPA, Including Corps Support (Headquarters) (Regions) (Corps)	1,554 (130) (874) (550)	0.4
States	1,462	0.4
Localities (Construction Contracts*) (Operations of POTWs)	365,000 (200,000) (165,000)	99.2
TOTAL	368,016	100.0%

\*Includes equipment manufacturers and other second level contractors.

Over 99% of all the personnel resources in the program are at the local level, either as temporary construction workers or as local staff assigned to the treatment works. The State and federal resources are limited to overseeing the grant program and reviewing various program outputs for conformance with federal and State requirements.

Funding for the State and federal operations comes from annual operating budgets (including up to 2% of the construction grant funds authorized for delegated State operations). The local resources, spread across 12,000-15,000 communities, provide the full effort in planning, design, construction, and operation of the treatment works. Funding for local resources comes from the annual construction grants appropriation, which pays for 75% of the costs of construction-related activities; State and local capital investment funds; and a dedicated user charge, which pays the total costs of operations and maintenance.

The lack of sufficient personnel resources (at both the federal and State levels) to implement the vast number of activities in the program has been a barrier to achieving program objectives. Since the enactment of the Clean Water Act Amendments of 1977, however, EPA has undertaken a major delegation of these activities to the States under the authority of Section 205(g). The change in the mix of federal and State resources in recent years (Table III.3) shows the impact of this effort. The additional State resources supplied under Section 205(g)

TABLE III.3 FEDERAL AND STATE WORKYEARS  
APPLIED TO THE CONSTRUCTION GRANTS PROGRAM

	EPA		Corps	States	Total
	<u>Headquarters</u>	<u>Regions</u>			
1977	71	997	-0-	225	1,293
1978	71	981	112	396	1,560
1979	92	904	425	1,008	2,429
1980	130	874	550	1,462	3,016
1981*	127	891	600	1,898	3,516
1982*	139	841	600	2,081	3,661

\* Estimated.

and those provided to EPA through the agreement with the Corps of Engineers, augmented what was acknowledged to be a severe resource deficit in federal/State management of the program.

State resources for the program are expected to continue to increase (although at a decreasing rate) as delegation of operations spreads to all States. In FY 82, approximately 80% of direct operational workload is expected to be assumed by either the Corps (approximately 20%) or the States (60%). Under the current management of the program, EPA workload in FY 82 will consist of:

1. direct program operations in non-delegated States,
2. the remaining direct activities not delegated,
3. management of the non-delegable activities (i.e., NEPA, Bid Protest Resolutions),
4. national initiatives where overriding federal interest demands involvement,
5. national policy development and program management, and
6. oversight and quality assurance of State operations.

#### NATIONAL PROGRAM MANAGEMENT -- CURRENT SYSTEMS AND PROBLEM AREAS

Program management systems used by EPA and the States must support the management decisions made both on a day-to-day basis and as part of the planning and control processes required to operate any large construction program. The situation in the construction grants program is unique only in its complexity; the systems must meet a variety of demands, including the following:

- Ability to measurably reflect the objectives of the program;
- Ability to measure how much progress has been made toward the baseline goal, and what backlog, or remaining effort, is required to reach the goal;
- Ability to plan the operations of the program towards reaching the baseline goal; and
- Ability to observe when the program operations are "off-course" and to know what corrective actions must be carried out.

EPA has chosen to address these requirements by working through three major system components: (1) interpretation and implementation of policy, (2) planning and evaluation of the program, and (3) management information systems to meet program requirements. These components are discussed briefly in the following sections.

## Interpretation and Implementation of Policy

Headquarters develops policy and provides guidance through Regulations, Program Requirements Memoranda (PRMs), Program Operation Memoranda (POMs), and Guidelines in special technical areas. The regulations issued set the framework within which the individual grantees must act. PRMs are used to convey program policy for the construction grants program where specific provisions are not available in existing regulations or other Agency documents. POMs are used as directives, setting forth periodic reporting requirements, ceilings, or quotas. POMs lose their applicability within a limited time frame and are primarily "housekeeping" in nature. Grantees are the recipients of regulations; the EPA Regions are the recipients of PRMs and POMs. The process for release of PRMs includes participation by the States and others in the review of draft documents before final distribution.

## Planning and Program Evaluation

EPA has developed an integrated planning, budgeting, and performance monitoring system for use by the Regions and Headquarters program offices. The basic components are outlined in the Agency Planning and Management Processes: An Overview. Also under development is an OWWM-based program evaluation system for programs under the responsibility of the Assistant Administrator. Within this Agency and OWWM framework, the construction grants program has developed a program management strategy to plan and monitor program activities across the Regions. A program management strategy to monitor States has not as yet been instituted.

The performance monitoring tool (called a Report Card) allows evaluation of one Region relative to another based on predefined priority program areas. The strategy changes annually as Agency priorities and program management change. The Report Card, in conjunction with periodic program reviews, is the principal mechanism used by Headquarters managers to evaluate regional program performance.

## Management Information Systems

The principal management information system for the construction grants program and other smaller Agency grant programs is the Grants Information and Control System (GICS), which provides grant project level information for Regional and Headquarters use. It is the primary source of technical, fiscal and performance data for the program.

The GICS system provides a data base and computer programs to collect, edit, and maintain data on prospective projects, grant applications, and funded projects through to project closeout. It was first implemented in 1972 and has been periodically updated to reflect new requirements and new management needs. The data base has approximately 215 elements available for each project, 95 of the elements

include fiscal, technical, and project tracking information divided by step in the grants process. The system is currently being re-evaluated in terms of its effectiveness and workability under a delegated program.

#### Problems Concerning Program Management Systems

The current program management systems have problems that affect operations of the program.

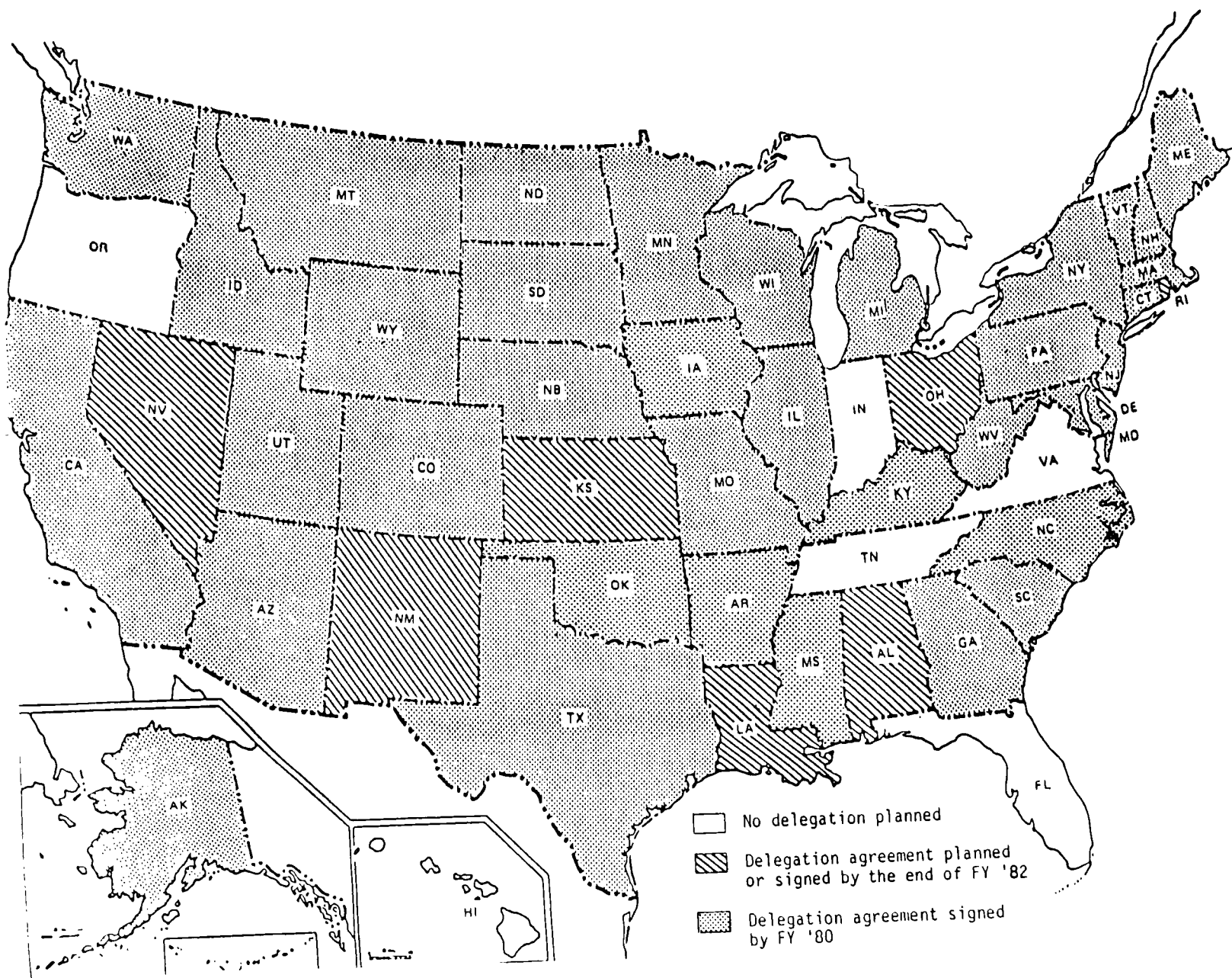
- There is currently no systematic provision for multiyear strategic planning for the construction grants program to provide a common framework to set policy, plan the budget, or develop annual program plans.
- Though States are assuming more responsibility in program management they have not participated in policy development for the program.
- Policy development and implementation (through the PRM process) is built to a large extent on ad hoc initiatives and changing administration guidance; thus, it is at times fragmented and inconsistent.
- Performance monitoring and program evaluation, now based on a Report Card system, is focused almost entirely on grant-related outputs. No provisions have been made nationally for State performance monitoring. The present system does very little evaluation based on environmental results.
- The current information systems in place (e.g., GICS, CMS) to support program management are clearly an inadequate base for future program operations, given the increase in the number of users and the need to allow more flexibility in system design to accommodate State programs.

#### DELEGATION -- CURRENT STATUS AND PROBLEM AREAS

##### Progress of Delegation to States

It is estimated that 46 of the 52 States and Territories that are candidates for delegation (excluding the Virgin Islands and four Pacific Territories) have signed or are planning to sign 205(g) agreements by the end of FY 82. By that time, some States should be fully delegated. Nationally, there is a sharp rate of increase (12% to 59%) in activities assumed by the States from FY 79 to 82. By FY 82, 59% of the potentially delegable workyears will have been delegated to the States, with the Corps of Engineers providing manpower for another 20%. Figure III.4 illustrates the magnitude and timing of delegation.

FIGURE III.4 STATUS OF 205(g) DELEGATION AGREEMENTS



## Corps of Engineers Resources

In January 1978, EPA and the Corps of Engineers, with OMB approval, signed a 3-year Interagency Agreement. The terms stipulated that the Corps would contribute 600 workyears annually toward assisting with the administration and management of some Step 3 activities in the construction grants program. The agreement was meant to be a short-term solution to aid delegation to the States. The Corps and EPA signed a new agreement on July 8, 1980 that expanded the role of the Corps to include all delegable Step 3 activities that have not been delegated to States. Substantial and long-term involvement of the Corps will be required through the mid-1980s, and the percentage of total potential delegable workyears assigned to the Corps in FY 82 to FY 83 will remain at approximately 20%. By FY 82, only South Dakota, Texas, Montana, and Wyoming will have phased out the Corps completely. California has given the Step 3 activities it was delegated back to EPA, and the Corps has assumed them.

## Monitoring Delegation

During this transitional phase of States embarking on delegation, the Agency has been monitoring States on a State-by-State basis. The Agency lacks a consistent, uniform delegation oversight program. Though no two Regions use a uniform method for overseeing States, each Region employs different combinations of a number of basic management approaches. These methods can be grouped into two categories:

1. periodic formal reviews focused on specific activities or individual projects, for which the State and Regional offices have agreed upon standard operating procedures, and
2. informal assessments, which consist of day-to-day communications or scheduled meetings to target problem areas.

At present, most Regions in the early stages of delegation use both formal and informal means of oversight to review a number (e.g., 10%) of specific activities that the States perform. As delegation progresses, Regions containing States that signed early 205(g) agreements are moving beyond review of specific activities to review the procedures that the States use to conduct their activities. Other Regions review 10% of all ongoing projects and compare expenditures and costs of the project budget.

## Problems Concerning Delegation

Under the current delegation strategy, the Agency will be unable to achieve the 1990 national program goals and objectives. In particular:

- The Agency is unable to manage a national program because not all States have accepted delegation.
  - Six potentially delegable States have not signed agreements and do not plan to do so. They are Florida, Hawaii, Indiana, Oregon, Tennessee, and Virginia.
- The Agency is unable to delegate the full program, as certain activities are classified as non-delegable.
  - e.g. NEPA, Audit Resolution, MBE.
- The Agency is experiencing difficulty reaching full delegation in many States due to lack of dollar and staff resources.
  - Current uncertainties as to whether funding will be adequate are making some States hesitant to accept additional responsibilities or to "staff up" for resource-intensive activities that are currently performed by the Corps.
  - Other States are having difficulties in locating and paying for the necessary expertise, and for that reason are reluctant to accept Step 3 activities. This means, therefore, continued direct participation by EPA or its agents, with States not reaching self-sufficiency.
- Specific roles and responsibilities of program participants are unclear.
  - For example, the Corps of Engineers contributes approximately 20% of the currently delegable workyears and is a major participant in the program. Currently the Corps agreement is negotiated between the Corps and EPA, thus leaving the State out of the major management decision point.
- The Agency has not established a uniform delegation oversight program.
  - The lack of a uniform oversight program burdens each State unequally with different program requirements.



## CHAPTER IV

### MAJOR STRATEGY ISSUES

#### INTRODUCTION

The issues section of the strategy presents the results of much research and analysis of the issues and alternatives. For EPA to reach the goal of Environmental Manager, the major strategy issues must be resolved and acted upon. This section is organized into four strategy areas, each with several major issues.

#### Federal Role Under Delegation

Through public workshops, meetings and developing research papers EPA has received numerous recommendations that it move toward the role of an Environmental Manager. The Agency must provide detailed objectives that will help direct the program and a workable schedule for accomplishing the objectives. In addition, the States should be given the opportunity to formally participate in program policy development.

#### Federal Role to Reach Full and Effective Delegation

Once EPA has clearly stated where the program is moving it must identify and remove the barriers that will hinder the progress. New policy and other incentives must be developed and a mechanism provided for achieving full, effective, and sustained delegation to all States.

#### On-Going Oversight of State Programs

As the States assume responsibility for the program, EPA must have an oversight mechanism for ensuring that the States are performing within the program requirements, are working towards meeting the national objectives, and have some methods of enforcing these.

#### On-Going Assistance to States to Improve Performance

EPA must determine what expertise is necessary to provide the States with assistance (technical and management) in meeting the national objectives. As a national manager, EPA should aid in technology transfer and collect national information required for program decision-making.

## THE FEDERAL ROLE UNDER DELEGATION -- 1990 OBJECTIVES

### Issue No. 1

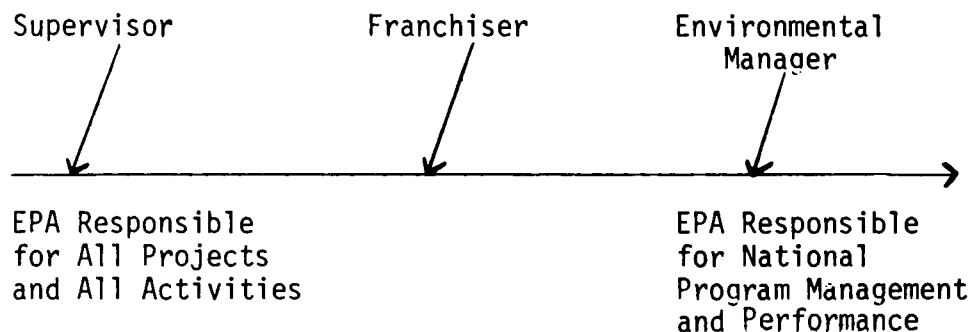
*The current management approach does not reflect the changing nature of the program under delegation and does not build a consistent, clear framework for management in the 1980s.*

### Discussion

The present management structure for the program divides management responsibilities among EPA, the States, and the Corps. This situation presents difficulties in terms of accountability and program effectiveness. Continuing under the current management approach will lead to a program with little national direction.

The EPA role in the construction grants program is presented as a continuum of management responsibility, with delegation as the major driving force. At one end of the continuum, EPA has the responsibility to manage every activity in the program. At the other end, EPA limits its involvement to overseeing State management and protecting only national program interests. There are three milestone points on the continuum that represent the EPA roles discussed throughout the 1990 strategy development: EPA the Supervisor, EPA the Franchiser, and EPA the Environmental Manager. Each represent different degrees of EPA management responsibility and delegation strategy, as illustrated in Figure IV.1.

FIGURE IV.1 EPA MANAGEMENT RESPONSIBILITY CONTINUUM



As a Supervisor or Project Manager, EPA would delegate certain activities and procedures to the States but would continue to exert direct management control over State projects. EPA would emphasize State adherence not only to program objectives, but also to consistent procedures laid out by EPA to ensure uniformity from State to State.

As a Franchiser or Program Manager, EPA would gradually recede from direct supervision, but would provide States and grantees with extensive technical and management support. EPA would continue to conduct "quality control" monitoring of State operations to ensure that procedures are adequate to achieve program success, and would intervene in program administration when significant deficiencies were discovered. Variation among State delegated systems would be allowed.

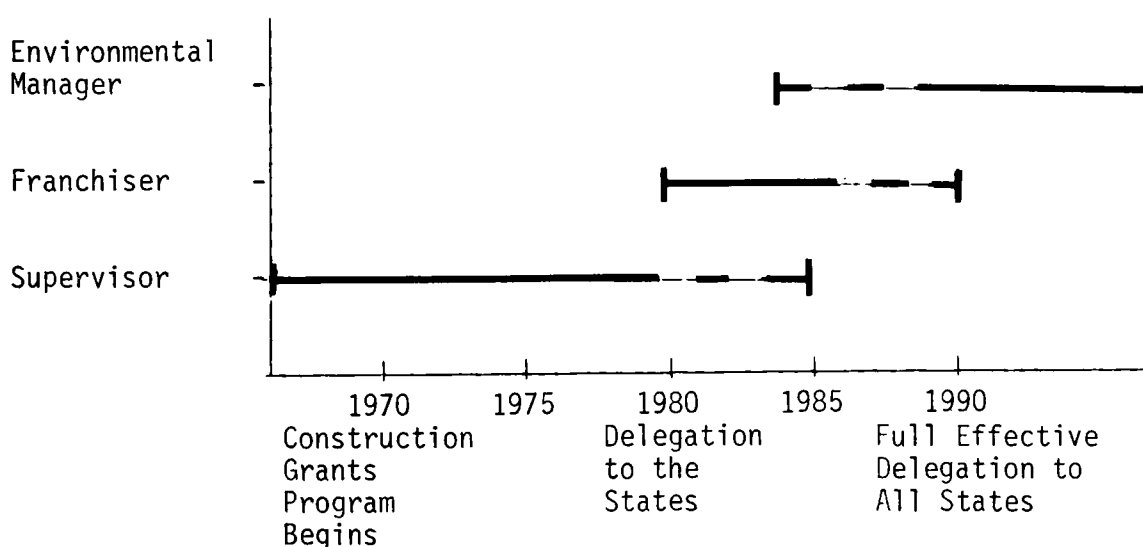
As an Environmental Manager, EPA delegates project related activities and program management responsibilities to the States; States share in developing program policy. EPA retains the authority, on an extremely limited basis, to participate in those projects with overriding federal interest and intervene in program administration if national objectives are not being met. EPA would monitor the overall program through monitoring and evaluation of the State's performance. The Agency would continue to provide management and technical support as necessary.

#### Resolution

To satisfy the environmental and program requirements of the legislation and the intent of Congress to delegate the program, EPA must move toward the role of Environmental Manager by 1990.

This major change in program management strategy can not immediately happen across all States. Figure IV.2 graphically depicts the transition of the EPA management role over time.

FIGURE IV.2 EPA's CHANGING ROLE OVER TIME



In certain States, E.g., California, Illinois, Texas, EPA will be able to progress more rapidly toward the role of the Environmental Manager.

The Agency, assuming the role of Environmental Manager, clearly defines the policy direction and role responsibility of the program participants.

#### Issue No. 2

*The current grant mechanism (Federal-Municipal categorical grants) does not reflect the major State management responsibilities anticipated in the 1990 Management Strategy. It retains the administrative and fiscal relationship between EPA and the Municipality, despite the fact that full operational responsibility and project level decisions will have shifted to the States.*

#### Discussion

The 1990 strategy is built on the expectation of full and effective delegation to the States, with EPA moving out of project-related decision making and program administration. This new role eliminates EPA's relationship (both administrative and technical) with the Municipalities, except in extraordinary circumstances when overriding federal interest demand intervention, and replaces it with an oversight and technical assistance role between EPA and the States. The existing administrative grant mechanism (Federal-Municipal categorical grants) is inconsistent and potentially in conflict with this overall thrust. Without significant positive action to alter the legal grant administrative relationship between EPA and the Municipality, EPA may find itself held accountable for specific fiscal actions of every municipality, despite the fact that the State will be making all project-level decisions. Likewise, the State may effectively be unable to fully exercise independent authority because of this continued project-level accountability by EPA. Several options to correct this situation are available:

- Federal-Local Grant Via State -- The Agency reorients the existing grant mechanism so that the States administer all fiscal and administrative aspects of the grant program, including making of the grant offer, payment processing, audit resolution, etc. In this way, the State will serve as the "responsible federal official" under delegation, and be held accountable to EPA for all federal fiscal requirements.
- Federal-State Categorical Grant -- EPA, under new legislation, makes grants to the States based on the existing allotment formula rather than to the Municipality. Utilizing a categorical grant results in all requirements of the construction grants program being applied as conditions (e.g., NEPA) of the grant of the State.
- Federal-State Block Grant -- As in the Categorical Grant, EPA makes a grant to the State based on the existing allotment formula. The difference is that the State is bound only by broad parameters. This would allow the State to determine how the money is spent as long as it is within the goal of improved water quality.

The three options range from keeping the existing grant mechanism (but adjusting policy to make the States accountable), to changes in the statute to make the State the legal grantee. It is clear that the Clean Water Act and other applicable federal laws will continue to demand specific uses of the appropriation, which would tend to eliminate the less restricted block grant approach (the third option). The change in the legislation to a formula-based State categorical grant (the second option) is most consistent with the 1990 strategy, but has not been investigated sufficiently to assess the impact that such a drastic change would have on the existing administration process. This option may have adverse impacts on implementation of the federal laws and on protection of federal funds that would need to be mitigated before recommending a legislative change. Further, the change could require new enabling legislation in the States and be subject to State budget restrictions that would limit its workability.

#### Resolution

Because unwanted program impacts may spinoff from the legislative change to Federal-State Categorical grant, it is recommended that EPA retain the existing federal-local grant mechanism. EPA will, however, take significant steps to ensure that the administrative and fiscal responsibilities are fully and effectively delegated to the States. This change will allow the States to become the "responsible federal official" accountable to EPA for fiscal integrity. Concurrently, EPA will develop a separate issue paper on the feasibility of a change in the grant mechanism at some future date.. (See Action Plan)

### FEDERAL POLICY TO REACH FULL AND EFFECTIVE DELEGATION

#### Issue No. 3

*Current policy restricts full and effective delegation, both through the regulatory and statutory limitations.*

#### Discussion

Statutory requirements and EPA regulations discourage full delegation of the program.

- Not all activities are classified as "delegable"; therefore, full delegation cannot be achieved.
  - Several key activities, essential to full and integrated management of program operations, cannot currently be delegated, preventing full operational delegation, e.g., bid protest, NEPA determinations.
  - In a number of cases, EPA has been reluctant to delegate project decisionmaking to the States, principally because the "responsibility" for the grant remains with EPA as the signator of the grant offer.

- The funding available to delegated States through Section 205(g) of the Act appears to be inadequate to allow States to assume full delegation and assume increased responsibilities in WQM.
- The involvement of the Corps of Engineers in the delegation program impairs achievement of the objective of encouraging State management of the program.
  - The State continues to share operational responsibilities, e.g., on-site inspections with the Corps of Engineers, who report to EPA rather than the State, under the existing agreement.

#### Resolution

The following recommendations are proposed to facilitate full delegation and State management of the program.

- Amend the State Management Assistance Grant Regulations (35.1030-3) to allow delegation of the following functions: civil rights determinations, Minority Business Enterprises (MBE), final dispute determination, bid protests, wage rate determination, and resolution of audit exceptions.
- Initiate actions to legalize delegation of the signing of grant awards to the States. Make regulatory changes to delegate payments and other fiscal responsibilities typically the prerogative of the federal government.
- Initiate actions to allow delegation of NEPA determinations to the States, under a procedure that would certify the State director as the "responsible federal official." Checks and balances would be similar to the NEPA arrangement currently underway with the Federal Highway Program. EPA would involve itself in project level decisions only where overriding federal interest (as defined in EPA/State delegation agreements) would dictate.
- EPA should investigate the availability of 205(g), 201, 208, and 106 funds for increased State management responsibilities.
- Amend the National Corps of Engineers agreements to allow State participation in Corps/EPA negotiations on workload and division of responsibilities, once a State has received full delegation of all delegable activities.

#### Issue No. 4

*Certain States have experienced institutional problems (e.g. staffing ceilings, skill mix) that limit the States ability to accept and sustain delegation.*

#### Discussion

State institutional barriers are contributing to the inability of some States to accept and sustain delegation. The following problems are currently being encountered.

- Salary rates too low to attract qualified personnel at the level of expertise required.
- State legislative or executive action has put a limit on personnel hiring, despite fund availability under 205(g).
- The uncertain or inadequate funding provided through 205(g) prevents development of a full State staff.
- State executive priorities prevent a full effort in the construction grants program.
- In some cases, States are reluctant to accept full responsibility for all federal laws and requirements.

In order to achieve full delegation of all activities EPA must develop incentives, provide assistance, and propose new policies that would help overcome these and other institutional barriers to full delegation in all States.

#### Resolution

EPA will develop and offer to States a management assistance package that will address many of these institutional problems hindering full delegation. Areas of assistance will include:

- The development of an information transfer program among the States to use successful State experience as a vehicle to address similar problems in States experiencing delays or barriers to full delegation.
- Expand 205(g) eligibilities to cover additional program management expenses where limited resources are creating problems in accepting full delegation or sustaining delegation once accepted.

- The use of the EPA Program Evaluation Review Sessions to develop better and more efficient management techniques at the State level, greatly facilitating certain types of delegation (e.g., grant offer processing, operational reviews).
- Assistance in the use of special consultants or personnel services contractors in the State office, to build expertise beyond that available under the State civil service.
- The use of IPAs in the State office, to increase the level of expertise in the State necessary to accept delegation and to train new staff as they are hired.

## ON-GOING OVERSIGHT OF STATE PROGRAMS

### Issue No. 5

*The current oversight program, emphasizing procedural review, is inadequate under the new role of Environmental Manager because it doesn't monitor national program results.*

### Discussion

In most States and Regions EPA exercises its program oversight responsibility under delegation through sampling projects, to assure that the States are complying with legislative and other program requirements. As States get closer to full delegation this oversight procedure is clearly inadequate.

As an Environmental Manager, EPA's role in oversight will shift from project-by-project monitoring to overall program performance monitoring. An effective oversight program must evaluate management and administrative practices that are most likely to lead to successful performance in the program and achievement of national objectives (water quality and State self-sufficiency). Because it may take a number of years for a facility to become operable, EPA must have a monitoring program designed to assess State performance before the facilities are in place and operating.

The following four major overall performance characteristics serve as the framework by which EPA will monitor the States:

1. Quality of projects funded, e.g.; are projects rated high on the priority system, are projects cost effective, environmentally sound?
2. Timeliness of planning, design and construction of facilities, e.g.; are projects moving through grant process as rapidly as possible, do States perform their review in a timely manner?



3. Preservation of the integrity of the program, e.g.; do States employ sound management, administrative and fiscal controls, have States been able to prevent fraud and misuse of funds.
4. Effective program management, e.g.; does the State employ sound management practices for planning future activities, developing and maintaining the management information system, is State management oriented towards achievement of the goals of the act?

While this list is not inclusive, States that perform well in these areas are likely to have success in meeting the national objectives.

The EPA emphasis on the four performance areas is dependent on progress in each specific State. Early in delegation, EPA will focus on the systems and program aspects of the State performance (Items 2, 3, and 4). As the States reach full and effective delegation, the oversight emphasis will concentrate on results related to quality of projects, fiscal integrity, etc. (Item 1). The degree of emphasis in each of the four areas will shift as State performance indicates need for lesser involvement to protect federal interests.

#### Resolution

The four overall performance characteristics (quality and timeliness of projects funded, integrity and management of the State program) are good measures for achievement of the national goals. EPA should monitor a combination of these performance characteristics to ensure that the national program accomplishments comply with the national goals. As EPA's role changes to meet the goal of Environmental Manager, the relative importance of monitoring the performance characteristics will change.

#### Issue No. 6

*Once EPA moves away from procedural review of individual projects, it lacks a consistent mechanism for monitoring State program performance (results).*

#### Discussion

For EPA to be successful in its role as an Environmental Manager, the oversight program must include a mechanism for overseeing State programs that both supports and assists State management while protecting national interests and national management concerns. The Agency must develop a new oversight mechanism that focuses on a State's overall performance.

The shift to program-level monitoring can be accomplished through periodic program evaluation reviews, the purpose of which will be to both evaluate program performance against known measures and advise the State on improvements in program operations. Evaluations can be approached

in a number of ways. The most stringent would be to have on-site monitoring of a sample of projects. The least stringent would be to monitor national program results only, with no on-site evaluations.

Four evaluation mechanisms are discussed below in the order of most stringent to least stringent.

1. On-Site Evaluation: EPA's present oversight policy is to perform an on-site procedural review of a percentage of projects funded. EPA could continue to monitor a random sample of projects with a results-oriented approach, rather than check all procedures. From these results, EPA would make assumptions about the status of the State program overall. While this evaluation method yields specific information, it may lead to inaccurate assessments of State performance.
2. Evaluation Team: Each State should have an annual review performed by an evaluation team. This team would be under the direction of the EPA Regional offices, and would include selected State and EPA Regional office representatives as well as key Headquarters managers. The advantages to a team are that a unit independent of day-to-day program responsibilities would provide a more objective evaluation and, having the same unit perform evaluations for all States, would lend consistency to the approach and provide comparable results.

A schedule for monitoring and evaluation should be developed each fiscal year in conjunction with the development of the annual State/EPA agreement. The evaluation should consider two parts of the State's performance: The State's technical performance (quality and timeliness of projects) and the State's management performance (program integrity and program management). The skill mix required for each part of the evaluation follows:

#### Technical Evaluation

- Sanitary engineers familiar with the technical aspects of planning and design
- Someone familiar with the grants process
- An environmental specialist
- A treatment plant operations specialist

#### Management Evaluation

- An engineer, planner or other technical staffer familiar with the grants process
- An engineer familiar with construction
- A contracts/payments specialist
- An accountant/auditor

The evaluation will focus on the State's progress towards achievement of national water quality goals and the fiscal integrity of the State's program. Evaluations will stress program outcomes, rather than procedures, though evaluation of procedures will occur in the initial phases of delegation.

3. Management by Objective (MBO): Evaluation of State performance could be based on a concept of Management by Objective (MBO) where, in addition to an evaluation schedule, State-specific program objectives are agreed upon by the State and EPA. Each State is then evaluated based upon its pre-determined objectives. MBO recognizes that States vary in their capabilities and in severity of water quality problems.
4. Monitoring of Water Quality: EPA could monitor only the national program accomplishments, i.e., improvements in water quality. While this mechanism gives full discretion to the States, EPA abdicates its role of assistance in the program and has no way of measuring whether or not the national objectives are being accomplished in the most efficient manner, and cannot impact the process until facilities are operational.

Resolution

EPA should combine the annual evaluation with an MBO system in its oversight mechanism. The evaluation should be used to ensure all national objectives are being met (with the four general performance characteristics). Where State-specific considerations should be made, these can be negotiated periodically through MBO.

## Issue No. 7

*EPA does not have clearly defined performance criteria nor measures for evaluating State management, that can be used to ensure that State program results are consistent with the national objectives.*

### Discussion

To meet the delegation oversight objective, EPA must establish a clear mission and clear objectives for the construction grants program to guide the States in its management. State performance in carrying out the program would then be measured against each of these objectives. Where it is impossible to measure performance directly, EPA could examine State procedures to see whether they are consistent with the objective and are likely to result in their achievement.

### Resolution

The following set of performance measures and objectives is proposed as appropriate to EPA and State management as EPA moves toward the role of Environmental Manager. Program objectives are developed at the outset that will apply to all States. These objectives will provide policy guidance to the States, making it clear what requirements they are to meet. In each case, the performance measure is results-oriented and would indicate whether the State program is successful rather than how the State performs each

Table IV.I proposes a set of performance measures for each of the four general performance characteristics outlined in Issue 6. The list is not inclusive, but should provide an indication of the breadth and depth of the performance criteria being proposed in the EPA oversight system.

TABLE IV.I PROGRAM PERFORMANCE MEASURES

GENERAL PERFORMANCE CHARACTERISTIC	DIRECT MEASURE OF PERFORMANCE	CHECK OF PROCEDURES
<u>QUALITY OF PROJECTS FUNDED.</u>		
TO CONSTRUCT FACILITIES THAT OPERATE IN SUCH A MANNER AS TO MEET NPDES PERMIT REQUIREMENTS.	DETERMINE THE COMPLIANCE STATUS OF ALL PROJECTS USING AN AGREED-UPON DEFINITION OF "SUBSTANTIAL" COMPLIANCE.	<ul style="list-style-type: none"> <li>● MAKE SURE THE STATE IS AWARE OF THE EXTENT OF NONCOMPLIANCE.</li> <li>● DETERMINE THAT THE STATE IS TAKING EFFECTIVE ACTION TO CORRECT THE PROBLEM.</li> <li>● ENSURE THAT THE STATE IS TAKING THE NECESSARY CORRECTIVE/PREVENTIVE ACTION EARLY IN THE GRANTS PROCESS.</li> </ul>
TO SELECT PROJECTS THAT BEST FACILITATE THE MEETING OF THE ENFORCEABLE REQUIREMENTS OF THE CLEAN WATER ACT AMENDMENTS.	DETERMINE WHAT PERCENTAGE OF PROJECTS FUNDED DURING THE YEAR IS IN THE UPPER QUADRANT OF THE LIST OF PROJECTS RESULTING FROM RATING THE PROJECTS AGAINST PRIORITY SYSTEM CRITERIA.	<ul style="list-style-type: none"> <li>● DETERMINE WHETHER THE STATE'S PRIORITY RANKING SYSTEM IS ADEQUATE TO ENSURE ACHIEVEMENT OF THE ENFORCEABLE REQUIREMENTS OF THE ACT.</li> <li>● INVESTIGATE WHETHER THE STATE IS PROPERLY IMPLEMENTING ITS PRIORITY RANKING SYSTEM.</li> </ul>
TO CONSTRUCT MUNICIPAL TREATMENT FACILITIES THAT ARE COST-EFFECTIVE AND ENVIRONMENTALLY SOUND.	DETERMINE THE PER CAPITA COST OF TREATMENT FACILITIES AND ENSURE THAT THESE COSTS ARE NOT EXCESSIVE AND ENSURE THAT SPECIAL ENVIRONMENTAL AREAS ARE PROTECTED.	SAMPLE ONGOING PROJECTS TO DETERMINE WHETHER THE ANALYSIS OF ALTERNATIVES WAS ADEQUATE. SPECIFICALLY, CHECK TO SEE IF LOW-COST ALTERNATIVES WERE CONSIDERED. ENSURE THAT REJECTED PROJECTS WERE SO TREATED FOR VALID REASONS. MONITOR PROJECTS TO ENSURE COMPLIANCE WITH COST EFFECTIVENESS, ANALYSIS, REGULATIONS,
<u>TIMELINESS OF PROJECTS.</u>		
TO PLAN, DESIGN, AND CONSTRUCT TREATMENT FACILITIES IN A TIMELY MANNER.	<ul style="list-style-type: none"> <li>● DETERMINE THE ANTICIPATED DATE FOR COMPLETION OF ALL PROJECTS NEEDED TO MEET THE ENFORCEABLE REQUIREMENTS OF THE CLEAN WATER ACT AMENDMENTS USING STANDARD ASSUMPTIONS FOR APPROPRIATIONS, ETC. DETERMINE IF THE STATE HAS PREPARED A PLAN TO MEET THIS FINAL TARGET DATE AND IF THE PLAN IS ON SCHEDULE.</li> <li>● DETERMINE THE ELAPSED TIME FROM START TO COMPLETION OF A PROJECT. COMPARE THIS FIGURE WITH THE ELAPSED TIME REASONABLY EXPECTED.</li> <li>● REVIEW THE STATE PROCESSING TIME PER PROJECT FOR THE FOLLOWING MAJOR REVIEWS AND COMPARE TO A REASONABLE TIME-BASED GOAL. <ul style="list-style-type: none"> <li>-- APPROVAL AND CERTIFICATION OF STEP 1 GRANT APPLICATION;</li> <li>-- APPROVAL AND CERTIFICATION OF STEP 2 GRANT APPLICATION;</li> <li>-- APPROVAL AND CERTIFICATION OF STEP 3 GRANT APPLICATION;</li> <li>-- REVIEW AND APPROVAL OF FACILITY PLAN; AND</li> <li>-- REVIEW AND APPROVAL OF PLANS AND SPECIFICATIONS.</li> </ul> </li> <li>● REVIEW OF ELAPSED TIME BETWEEN STEP 3 GRANT AWARD AND INITIATION OF CONSTRUCTION. CHECK FOR SLIPPAGE.</li> </ul>	DETERMINE WHETHER STATE AGGRESSIVELY TRACKS AND MANAGES THE PROGRESS OF INDIVIDUAL PROJECTS SO THAT THEY MOVE THROUGH THE SYSTEM AT A REASONABLE RATE. SEE IF STATE WORKS CLOSELY WITH GRANTEEES AND CONSULTANTS TO PROVIDE ASSISTANCE AND HELP AVOID MAJOR PITFALLS AND TIME DELAYS.

GENERAL PERFORMANCE CHARACTERISTIC

DIRECT MEASURE OF PERFORMANCE

CHECK OF PROCEDURES

INTEGRITY OF PROGRAM.

TO PRESERVE THE INTEGRITY OF THE PROGRAM BY PREVENTING FRAUD, MISUSE OF FUNDS, ETC.

DETERMINE HOW WELL THE BID COST COMPARES WITH THE FINAL CONSTRUCTION COST. EXAMINE IN DETAIL PROJECTS WITH LARGE OVERRUNS. ALTERNATIVELY DETERMINE IF THE STATE HAS BEEN ABLE TO AVOID REPEATED MAJOR "BLACK EYES" THAT REFLECT BADLY ON THE MANAGEMENT OF THE PROGRAM. ON A SELECT BASIS, DETERMINE COST-EFFECTIVENESS OF FACILITIES.

- DETERMINE WHETHER THE STATE EMPLOYS MANAGEMENT, ADMINISTRATIVE, AND FISCAL CONTROLS SOUND ENOUGH FOR A PROGRAM OF THIS MAGNITUDE.
- CHECK TO SEE IF THE STATE TOGETHER WITH THE CORPS HAS A STRONG PROGRAM OF CONSTRUCTION INSPECTION AND MANAGEMENT.
- SEE IF THE STATE HAS A STRATEGY TO ELIMINATE OR KEEP DOWN PROJECT OVERRUNS.

STATE MANAGEMENT OF PROGRAM.

TO ENSURE THAT THE DELEGATED CONSTRUCTION GRANTS PROGRAM IS MANAGED IN AN EFFICIENT MANNER.

DETERMINE IF THE STATE HAS MET ITS SEA AND 205(G) COMMITMENTS WITHIN THE RESOURCES ALLOTTED THROUGH 205(G).

ESTABLISH WHETHER THE STATE HAS STREAM-LINED ITS PROCEDURES TO ELIMINATE ANY DUPLICATION.

TO ENSURE THAT THE STATE COMPLIES WITH LEGAL REQUIREMENTS (E.G., NEPA, MBE, EEO, ETC.).

WHERE POSSIBLE, EPA/STATE-NEGOTIATED PERFORMANCE TARGETS SHOULD BE CHECKED TO SEE IF THEY HAVE BEEN MET.

WHERE IT IS NOT FEASIBLE TO NEGOTIATE EXPLICIT PERFORMANCE TARGETS, CHECK TO SEE IF THE STATE HAS ADHERED TO PROCEDURES AS SPECIFIED IN THE DETAILED DELEGATION AGREEMENTS.

### Issue No. 8

*The Agency does not currently have an effective system of incentives and sanctions that may be applied to States to encourage consistent performance and to allow for outside management of the program in States whose performance in the program is inadequate.*

### Discussion

EPA must maintain a system of incentives and sanctions to ensure that once each State has been assessed for performance of its program responsibilities, the level of State performance is sustained and national interest is protected.

An effective incentive system rewards good performance. The simplest method is to circulate annually a comparison of performance for all States, similar to the current Report Card system. There is a small incentive to sustain program performance when a State's program status is periodically compared with others. However, the present system compares all States as though they were equal when, in fact, they are at different stages of delegation. EPA should categorize States according to their delegation status for the purpose of comparison.

Once an MBO system is instituted, achievement of the objectives negotiated by the State should be rewarded. An alternative to simply advertising the States with good performance is for EPA to offer loans or loan guarantees to fund 100% of construction of POTWs. (EPA would have to seek a statutory amendment to allow such a loan.) This incentive would not only provide a reward to States with a good program but, by leveraging additional dollars in these States, may result in further improvements in water quality.

EPA must also maintain a system of sanctions for those instances where State programs encounter difficulties. Where EPA, through evaluating a State's performance, discovers the State is not performing up to standards, it should reserve the right to intervene. If the State performance could be improved simply by providing assistance in a specific area of expertise, EPA should use a system of temporary personnel transfer. This mechanism should be developed, perhaps using the Interagency Personnel Agreement (IPA) as a base.

As a last resort, if a State's performance drops below minimum acceptable norms and improvement is unlikely, EPA should have the authority to withdraw delegation and be allowed to use the 2% 205(g) monies to run the program directly, either through a contract, third party administrator, or use of EPA in-house staff. Further, authority should be requested from Congress to terminate or suspend grant assistance to States with severe and deteriorating performance problems.

### Resolution

EPA must develop a concrete system of incentives and sanctions. The present annual status report format and personnel transfer

mechanism should be revised. In addition, EPA should seek the legislative changes required to provide loans and loan guarantees above grant funds for construction of POTWs, to allow EPA to retain the 2% 205(g) to fund in-house operations for non-delegated and poor performing States, and to give EPA authority to terminate or suspend grants assistance to projects in States with severe performance problems. Further incentive and sanction mechanisms should continue to be explored, for example: cash rewards, EPA review of State priority lists and court action against continued non-compliance.

## ON -GOING ASSISTANCE TO STATES TO IMPROVE AND SUSTAIN PROGRAM PERFORMANCE

### Issue No. 9

*Because each of the fifty State programs has different levels of technology development and because the state-of-the-art in innovative treatment technologies changes, a national technology transfer program is demanded.*

### Discussion

Because of the administrative and technical complexity of the program, the need will continue for expert assistance and training in implementing and managing certain activities and initiatives under the program. Expert assistance and training to date have usually been fragmented or in some cases not available. In general, Headquarters organizations responsible for policy development have served as surrogates in the absence of a unified approach to providing such assistance. By necessity, Regional staff have been generalists who are oriented toward managing and coordinating projects.

Technical assistance should include: the identification and transfer of information on new and improved technology and innovative information; the identification of knowledge gaps and negotiation for specific research and development to support the program, as well as integrated training programs for State agencies in technically complex program areas and with new initiatives.

A two-tiered approach has been proposed to provide expert assistance and training to the States and grantees in critical program areas. The first tier would be a separate Headquarters organization composed of national experts responsible for translating technology and innovation into training packages, training Regional experts, interfacing with research and development, providing analytical support for policy makers, and advising and assisting on projects as requested by Regions. Although some of these experts will be located in Headquarters, some groups will be situated in Regional offices or environmental research centers, depending on the nature of the special geographic application of expertise, and research needs. The second tier would be experts within the Regional offices who interact directly with State agencies for project assistance, program development, staff training, and evaluation of delegation performance.



It is generally agreed that a technical assistance framework that crosses State lines would improve and sustain State performance over time. Certain technical areas (e.g., alternative and innovative technology, operations and maintenance) can better be researched centrally to take advantage of economies of scale and effective information transfer. Under the changing EPA role, this national assistance would be provided directly to the State only, for their use in administering the program.

#### Resolution

A National program for technical assistance is necessary to ensure proper management of the delegated program. EPA would provide technical assistance to the States as requested. The national role would be to support the States in their program administration, assisting in initial development and packaging of new techniques. The States, in turn, would use these new techniques as necessary to improve and sustain program performance. Technical assistance could be provided, for example, in the following areas:

- Innovative and Alternative Technology
- Water Conservation and Energy Efficiency
- Operations and Management of Treatment Works
- Pretreatment and Sludge Management
- Financial Management
- Program Management Systems

To ensure timely and effective response to State needs and to ensure that only the most complex problems are referred to national experts, the delivery of expertise to the State will be the responsibility of Regional offices. Regional experts will assist the States with problem projects, consult national experts on the more complex project issues, and provide direct training to States.

It is recognized that the establishment of this concept will have organizational and personnel ramifications within EPA, both in the Regional and Headquarters operations. Resources currently committed to certain tasks will be reprogrammed to cover the needs in this area. The technical assistance should be kept to only the most critical areas to avoid a resource-intensive situation that could cause other program activities to be neglected in both Headquarters and in the Regions.

## Issue No. 10

*The Agency needs to develop better (flexible, accessible, useful) management information systems to support and improve the program.*

### Discussion

The existing management information system used in the construction grants program is clearly inadequate to address the program needs, structure, and overall complexity that will result from delegation. Management information systems with fifty State managed programs, ten Regions, and a national program office, require a new approach that reflects the changing roles and functions. Systems developed to respond to this need must service not only EPA Headquarters and the Regions, but the States as well.

A series of new initiatives, related to the management information system, is required to meet the information needs for decision making.

### Resolution

EPA and the States should jointly address this issue as follow-up to the 1990 study. Implementation of this joint initiative should be completed before FY 82. These areas of study must include:

- Delegation of Information System Management to the States. All operational aspects of the federal grants information system, including data input, report generation, and overall information management at the project level, are the responsibility of the States. Steps to accomplish this must be taken now, as delegation occurs.
- Data Quality. Much of the information needed for EPA management will come directly from the State managed federal grants information system. The States, as operational managers, will provide accurate and complete information.
- System Documentation. EPA Headquarters, as the national managers of the system, will ensure that the system is well documented, uniformly applied, and clear and simple to apply across all State situations.
- Data Requirements. EPA Headquarters, as the national managers of the system, must clearly define (in conjunction with the Regions and the States) the data needs at each program level. Data requirements and usage will follow the roles and responsibilities of each user under the Environmental Manager mode.

- Management Usefulness. The proper use of information is critical to effective management. Clearly articulated uses of data are essential for both day-to-day operations and national management. Headquarters will take steps to facilitate more convenient use of the data systems and be responsive to State and Regional needs for reports and other management aids.

The management information system will be both flexible for individual State needs and compatible with the State performance evaluation (MBO) plan.

#### Issue No. 11

*Although the 1990 Strategy recognizes the States as exclusive program managers, there remains a need for EPA involvement in certain projects that are of overriding national interest.*

#### Discussion

The need for EPA involvement in selective project level decisions is recognized as a necessary corollary to national program management and oversight of the States. Although the thrust in the 1990 Strategy is to turn over all program administration of the project to the States, certain projects or conditions will continue to require federal involvement. This is particularly true of projects that are interstate in nature or are of special Congressional or Executive interest. Based on the integral relation to EPA's environmental objectives, a limited number of projects with significant environmental impact under NEPA would also be candidates for such special attention. It is also true that EPA may feel compelled to involve itself in project decisions that directly threaten federal objectives and that may not be reversible if caught after the fact.

EPA will delineate limiting guidelines to federal involvement in State decisions both to prevent unwarranted EPA intervention on its own initiative and to prevent EPA from being pulled into State/local or public/private conflicts.

A listing of potential project characteristics or conditions where an overriding federal interest may exist is outlined below. Actual EPA application of these characteristics will be subject to EPA's guidelines limiting involvement.

- a. The project areas or specific project decisions impose significant environmental impacts, both primary and secondary, and there is cause to believe the national objectives may be threatened.
- b. The project is located in a special environmental area requiring restoration or avoidance, such as wetlands, floodplains, critical habitats, historic or archeologic sites, etc.

- c. The project decisions are contested by members of Congress or the Executive and EPA is asked to intervene.
- d. The projects are involved in court cases or subject to other directives -- e.g., consent decrees, ocean dumping restrictions, international agreements -- that EPA must administer despite delegation.
- e. The projects are involved in law enforcement investigations.
- f. The projects have interstate or international impacts that go beyond State jurisdiction, interest, or influence.

Resolution

EPA will develop as part of the followup action plan a set of specific guidelines for project involvement. These will be developed with State participation and be limiting in nature (i.e., defining the ceiling on project level involvement). These threshold criteria will be provided to each State and be used in development of State plans and delegation agreements.

EPA will establish internal management controls to ensure that projects of overriding federal interest requiring EPA involvement are limited to 2% - 3% of the total project workload in any delegated State. This level of involvement is viewed as an Agency goal, representing a desired ceiling for federal involvement.

## CHAPTER V

### PROPOSED MANAGEMENT STRATEGY

#### MANAGEMENT CONCEPT

The thrust of the 1990 management strategy is built on the already changing nature of program management (i.e., delegation) and the need to effectively use the resources and institutions inherent in our federal system. Emphasis is placed on encouraging State self-sufficiency, both in funding capability and overall management of the program, and in protecting national interests and objectives, in terms of national water quality goals and stewardship of federal funds. The requirement to reach the national objectives, coupled with the transition in program management responsibilities, results in EPA serving as an Environmental Manager by the year 1990. Accordingly the States will become more self-sufficient and assume responsibility for managing the construction grants programs.

As an Environmental Manager, EPA will be responsible for national program performance and for ensuring that the objectives of this national program are met. EPA will continue to set overall program direction and policy and seek to influence program direction (rather than project direction) at the State level. EPA will, however, participate in those special projects where an overriding federal interest has been determined. EPA will expand its leadership role in developing and transferring new program and project management techniques. EPA will evaluate performance based on national objectives, provide new technology to improve the effectiveness of the system, and take action if abuses should occur.

State responsibilities will dramatically increase not only for meeting day-to-day program operations but for achieving national objectives across a broad range of water pollution requirements. This new institutional arrangement, although fitting into the traditional federal approach to water pollution control, will reverse the trend in federal involvement of the last several years. The change should make for a more effective and efficient program; its workability depends on a close, working relationship between EPA and the States, built on mutual trust and reliance.

Although EPA and the States have been advancing in this direction, there are a number of barriers that mean the difference between EPA fully delegating the program as it now is defined and EPA as an Environmental Manager. EPA currently retains responsibility for project performance after full delegation of the program. In order to become an Environmental Manager, EPA must obtain regulatory and legislative changes to allow delegation of all activities to the State. EPA will take steps (both in proposed legislation and internal administration) to delegate project review and operations requirements to the States for all activities in the grants process. This will include NEPA and other federal law administration, audit exception resolution, and project closeout. To achieve this objective, EPA will seek

to alleviate the State and federal institutional barriers delaying or preventing full delegation from taking place. As project managers, the States would assume accountability for project fiscal, technical, and environmental integrity with EPA overseeing State program performance.

While limiting its direct involvement in project and program management, EPA will focus its attention on oversight of State performance to ensure that the national objectives are being met. To ensure sustained State performance, EPA will have authority to apply a mix of incentives to reward good performance and sanctions to remedy poor or deteriorating performance.

## NATIONAL OBJECTIVES

EPA's role as Environmental Manager centers around its responsibility to ensure that the national objectives are met. When program management responsibilities are transferred to the State, it becomes increasingly important to monitor State programs to confirm that the State procedures are compatible with national water quality standards and State self-sufficiency. In order to fulfill this role, EPA must perform three tasks. First, EPA must periodically evaluate State policy against the national objectives to check that State programs are meeting national water quality goals. Second, where EPA determines a State program isn't adequate, it should provide the State with technical or management assistance; a good assistance program promotes State self-sufficiency. Third, EPA must have an oversight program that ensures that the State level of performance is sustained or improved.

The federal role as an Environmental Manager is to ensure that, while responsibility for the program is decentralized, national standards are maintained.

## ROLES UNDER THE ENVIRONMENTAL MANAGER

EPA	STATE	MUNICIPALITY
<ul style="list-style-type: none"> <li>• SERVE AS THE NATIONAL PROGRAM MANAGER (RESPONSIBLE FOR ENSURING THAT NATIONAL OBJECTIVES ARE MET)</li> <li>• FORMULATE NATIONAL POLICY AND EVALUATE NATIONAL PROGRAM PERFORMANCE AGAINST THE POLICY.</li> <li>• PROVIDE TECHNICAL AND MANAGEMENT ASSISTANCE TO STATES TO IMPROVE AND SUSTAIN PROGRAM PERFORMANCE.</li> <li>• INTERVENE IN THOSE SELECT PROJECTS THAT HAVE AN OVERRIDING FEDERAL INTEREST</li> <li>• MAINTAIN THE NATIONAL MANAGEMENT INFORMATION SYSTEM</li> </ul>	<ul style="list-style-type: none"> <li>• MANAGE PROJECT OPERATIONS FROM PRE-APPLICATION ASSISTANCE TO PROJECT CLOSEOUT AND AUDIT RESOLUTION.</li> <li>• MANAGE THE STATE PROGRAM TO COMPLY WITH NATIONAL OBJECTIVES.</li> <li>• ASSIST IN NATIONAL POLICY DEVELOPMENT, INCLUDING IMPLEMENTATION OF THESE POLICIES WITHIN THE STATE.</li> <li>• REVISE AND PROMULGATE NEW STATE REGULATIONS REFLECTING NATIONAL OBJECTIVES.</li> <li>• SUPPORT THE NATIONAL MANAGEMENT INFORMATION SYSTEM, INCLUDING PROVIDING PROJECTIONS OF FUTURE PROGRAM OUTPUTS FOR NATIONAL PROGRAM USE.</li> <li>• PROVIDE GRANTEEES WITH INFORMATION, TRAINING, AND ASSISTANCE FOR MANAGING THE PLANNING, DESIGN, CONSTRUCTION, AND OPERATIONS OF POTWS.</li> </ul>	<ul style="list-style-type: none"> <li>• ESTABLISH EFFECTIVE FINANCIAL MANAGEMENT SYSTEMS.</li> <li>• OPERATE AND MAINTAIN WASTEWATER FACILITIES TO COMPLY WITH NATIONAL WATER QUALITY OBJECTIVES.</li> <li>• CONTINUE TO PLAN AND CONSTRUCT FACILITIES TO FURTHER ABATE WATER POLLUTION.</li> <li>• PARTICIPATE IN STATE TECHNICAL AND MANAGEMENT ASSISTANCE PROGRAMS.</li> </ul>

## DISCUSSION OF SUBSTRATEGY AREAS

### The Federal Role Under Delegation

To satisfy the environmental and program requirements of the legislation and the intent of Congress to delegate the program, EPA will change its role to one of an Environmental Manager by 1990. A clear description of the objectives revised to reflect the new position must be issued. The transition to State management of the program will not occur at once because States are at varying stages of delegation. It is therefore important for EPA to provide a direction in which it expects the States to progress, and a reasonable schedule for reaching the objectives of Environmental Manager.

In accordance with the theme of shifting program management to the State, the grant mechanism will be reoriented to allow State administration of the federal grant, including the making of the grant offer, payment processing, and other federal activities. States will gain flexibility and control needed to manage the program and continued EPA involvement would ensure national objectives are being met.

### Federal Policy to Reach Full and Effective Delegation

As an Environmental Manager, EPA must fully delegate the construction grants program. Delegation is being slowed, and in some cases stopped, by institutional barriers. In order to remove these barriers, EPA must introduce legislative and regulatory changes allowing all operational responsibilities to be delegated. This would include such responsibilities as bid protest resolution, MBE/WBE, wage rate determinations, NEPA activities, final resolution of audit exceptions, and other currently non-delegable activities.

A legislative amendment is proposed that would allow EPA to use up to 2% of the construction grants allotment to fund in-house operations in those States not under a 205(g) grant agreement or for those where State performance is unacceptable. This will help EPA delegate the program and should encourage States to take and sustain delegation as opposed to letting a third party run the program.

Management assistance is another method of aiding delegation. Many States need assistance in setting up State management systems as well as in sustaining them. This assistance can be provided in three forms: IPAs, special consultants, and the EPA Program Evaluation Review Sessions, which can help explain and facilitate the more technical aspects of delegation. The sessions are useful not only to the State taking delegation but provide feedback to EPA on the construction grants program.

## On-Going Oversight of State Programs

To ensure that water quality objectives are continuing to be met and that the program is running effectively and efficiently, the Agency will have to participate in monitoring and oversight of State programs.

State performance will be evaluated against the following four general performance characteristics: quality of projects funded; timeliness of planning, design, and construction of facilities; preservation of program integrity; and management of the program. Specific State performance measures have been developed for each category. These should be used as tools for evaluating each State's program.

EPA will develop a national oversight program that combines an annual evaluation (performed by an evaluation team) with periodic regional reviews of State-specific objectives. The annual evaluation stresses program outcomes rather than procedures and will focus on national objectives such as the State program's fiscal integrity, and that high quality, environmentally sound, and cost effective projects are being funded. Specific performance measures to be used in these evaluations will be developed.

Some specific State objectives will be negotiated by the State and Regional offices in a system of management by objective (MBO). The State will submit an annual report detailing its progress towards meeting the objectives. These reports will be reviewed by the Regional office. This will allow EPA to consider State variations for particular objectives while not losing sight of the national objectives.

If, during the course of an evaluation, EPA finds a State's performance is lacking in an area, it will work directly with the State to provide technical or management assistance. In severe cases, or where State performance deteriorates, EPA will request legislative adjustments for the following two authorities:

- o To withhold the 2% 205(g) monies for use by EPA to administer the program itself, either through contract or other third parties or with in-house staff; and
- o To terminate or suspend construction grants program assistance to projects in the States, until such time as the State performance meets national standards.

These sanctions will apply only in cases of severe performance problems, and will be based on uniform criteria known to the States in advance. This specific criteria will be developed in conjunction with the State and other relevant officials as part of the action plan.

## Assistance to States to Improve and Sustain Program Performance

As the program changes, and full delegation is achieved, the Agency will have to provide assistance to States to improve and sustain program performance. Both technical and management assistance will be provided to the States.



### Technical Assistance:

Technical assistance will be provided, but not limited to, the following areas:

- Innovative and alternative technology
- Water conservation and energy efficiency
- Operations and management of treatment works
- Pretreatment and sludge management
- Financial management
- Program management systems.

A national program for technology assistance will be provided to the States. The assistance, therefore, will be better adapted to an individual State problem or need. In addition, EPA will provide technical assistance to any State that, via State evaluation, is improperly implementing the technical aspects of the program.

Although some of the experts providing assistance will be located at Headquarters, many groups will be in Regional offices or environmental research centers, depending on the nature of the specialty, geographic application of expertise, and research needs.

### Management Assistance:

Management assistance will be provided in much the same way as technical assistance. Assistance will focus on:

- Managerial Assistance -- Including individual training courses in supervisory and management skills.
- Management Training Packages -- Presenting information to State employees in the areas of grant management, implication of new program initiatives, regulations, and changes in policy.
- Manpower Planning -- Including program budgeting, program planning and resource allocation planning to be available for any State. Mandatory management assistance will be provided for those States that receive poor results in the evaluation of their management practices.

### Management Information System:

As one key element of EPA's technical and management assistance program, the Agency will develop a computerized Management Information System (MIS). The system will be completed by FY 82. The Agency will develop a uniform data entry form that allows flexibility for specific State information needs. EPA will provide training for all States to operate and utilize the system for their individual State management programs.

In addition, the Management Information System will be designed to be compatible with the MBO system, established for State evaluation.

## MAJOR RECOMMENDATIONS

### I. The Federal Role Under Delegation

- Encourage progress towards EPA acting as an Environmental Manager. States assume project management responsibilities and participate in policy development.
- Reorient the grant mechanism to allow full State administration of the grants process, including the making of the grant offer, payment processing, and other federal fiscal activities.

### II. Federal Policy to Reach Full and Effective Delegation

- Reclassify all activities as delegable.
- Amend Section 205(g) to provide adequate funding to States to administer the program.
- Amend the Interagency Corps of Engineers (COE) agreement to allow for State participation in negotiations.

### III. On-Going Oversight of State Programs

- Monitor State programs for quality and timeliness of projects funded, and integrity and management of the program, to ensure that national program objectives are met.
- Develop an evaluation mechanism that combines an annual evaluation (to ensure national objectives are being met) with MBO, where State specific considerations should be made.
- Develop a set of performance measures to evaluate State programs. (A list of performance measures is presented in Table IV.1.)
- Institute a system of incentives and sanctions to sustain State performance including: annual reports, assistance rewards, loan guarantees and retention of 205(g) funds.
- Request authority from Congress to terminate or suspend construction grants assistance to projects in a State with poor and deteriorating program performance.

- Provide management assistance in the form of IPAs, special consultants, and National Program Evaluation Reviews.
- Expand the 205(g) eligibilities to cover additional program management activities.

#### IV. On-Going Assistance to States to Improve Performance

- Provide a national program of technical assistance located at Headquarters, Regional offices or in environmental research centers.
- Provide management assistance in a variety of forms including: managerial assistance (such as training courses in management skills), management training packages (e.g., training for State employees in areas of grants management and new implementation of federal program requirements), and manpower planning.
- Develop a computerized Management Information System (MIS) that is compatible with State needs and the MBO system.

## CHAPTER VI

### ACTION PLAN

The action items for implementation of the management strategy recommendations are outlined below and summarized in Figure VI.1. The action items are grouped by major strategy area and are consistent with the recommendations contained in Chapter V. A separate list of proposed legislative changes related to the management strategy is included in Figure VI.2 and will be part of the overall legislative package to be submitted by EPA to Congress in FY 81.

#### FEDERAL ROLE UNDER DELEGATION -- 1990 OBJECTIVE

1. Draft major policy statement, to be issued by the Administrator, which outlines the shift of EPA responsibility from national construction grants manager (the "Supervisor Role"), to national environmental manager (the "Environmental Manager"). Included in this statement will be detailed delineation of federal, State, and local roles, a rough timeline for moving to the new role by 1990, and program objectives and outputs that will continue to be national in nature. (Deadline -- March 31, 1981.)

2. Consider legislative change to convert grants program mechanism to a direct, formula based grant to the States, from the current categorical grant from EPA to the municipality:

a. Draft a major issue paper, proposed legislative language and supporting memorandum and distribute to States and other parties for comment. (Deadline -- March 31, 1981.)

b. Prepare program impact analysis of legislative proposal, in terms of meeting national objectives, changing existing administrative mechanisms, and stewardship of federal funds. (Deadline -- June 30, 1981.)

c. Prepare resource analysis of change in grant mechanism (and related management strategy recommendations), including federal and State functions, resource needs, management options, and organization. (Deadline -- June 30, 1981.)

d. Submit proposal to Agency for decision. (Deadline -- September 15, 1981.)

e. If change proposed, submit legislative and resource proposal to Congress concurrent with the FY 83 President's budget and related legislative package, to be used by the authorizing committees in considering changes to the Clean Water Act. (Deadline -- January 1982.)

## FEDERAL POLICY AND MANAGEMENT TO REACH ENVIRONMENTAL MANAGER ROLE

3. Draft policy, regulatory, and legislative changes both to allow effective delegation of all activities to all States, and to encourage (through use of financial and legal incentives) all States to accept full program responsibility under delegation as soon as possible:

a. Propose legislative proposal and supporting memorandum to allow delegation of grant offer, payments, and final audit determination to qualified States. (Deadline -- January 1982.)

b. Propose regulatory proposal and supporting memorandum to allow delegation to qualified States to bid protest resolution, NEPA, civil rights determination, final dispute determination, determination of protest, resolution of audit exceptions, and determination of overriding federal interest. Final determination under other federal laws. (Deadline -- June 30, 1981.)

c. Issue new delegation policy that defines limits of delegation under the statute and encourages regulatory deviation for those activities not now delegable under the current regulation. (Deadline -- February, 1981.)

d. Prepare analysis of delegation plans and resource requirements on a State-by-State basis, including establishment of periodic State reporting on resource-related issues. (Deadline -- June, 1981.)

e. Propose legislative change to provide for the funds available to a State under Section 205(g) and related management authorities to be transferred to EPA authority if a State does not sign a delegation agreement under current policy by December 31, 1981. (Deadline -- March 31, 1981.)

f. Renegotiate Corps of Engineers agreement to allow active State direction in planning and management of Corps activities. (Deadline -- June 30, 1981.)

g. Establish a Pilot Study to delegate NEPA responsibilities. Develop analyses of overriding federal interest criteria under a fully delegated program, including an assessment of where it would likely apply. (Deadline -- June, 1981.)

4. Develop an EPA assistance package for facilitating delegation of program responsibilities, to be used at a State's option, to effectively meet negotiated delegation schedules and sustain delegation.

## ON-GOING OVERSIGHT OF STATE PROGRAMS

5. Develop EPA monitoring and oversight policy and guidelines (a State management evaluation system) that defines the areas of federal interest requiring EPA oversight, program review and evaluation procedures, and the incentives and sanctions available to EPA to ensure effective State management:

- a. Draft a basic program monitoring framework, and distribute to Regions and selected States. (Deadline -- January 31, 1981.)
- b. Assemble workgroup of State, Regional and Headquarters officials to develop full State Management Evaluation System. (Deadline -- January 31, 1981.)
- c. Complete prototype Management Evaluation Strategy in two Regions (and four States), to test out strategy in varying situations and to facilitate full delegation of program responsibility in fastest moving States. (Deadline -- June 30, 1981.)
- d. Issue draft Management Evaluation Strategy, including policy and procedural guidance, prototype example, and schedule for implementation. (Deadline -- June 30, 1981.)
- e. Issue final Management Evaluation Strategy, for use during FY 82. (Deadline -- September 30, 1981.)

#### ON-GOING PROGRAM ASSISTANCE TO THE STATES

6. Develop an EPA technical support package to improve and sustain program performance in engineering, scientific, fiscal, and plant operations areas. (Package will be available to the States at their option, as necessary to meet performance requirements under delegation.

- a. Draft technical support strategy that includes areas of expertise, mechanisms of support, type of support, and personnel requirements. (Deadline -- March 31, 1981.)
- b. Complete prototype technical support centers, training packages, and other aids to most critical technical areas. (Deadline -- June 30, 1981.)
- c. Issue technical support package, including full implementation plan. (Deadline -- June 30, 1981.)
- d. Complete implementation of organizational and functional changes in EPA to accomodate technical support initiative. (Deadline -- December 31, 1981.)

7. Develop a Program Management Support package for State use, to improve and sustain program performance in manpower planning and organization, program planning, control, evaluation and fiscal management. (Deadline -- June 30, 1981.)

8. Develop a National Management Information System for use by States, Corps, and EPA Headquarters and Regions. (Deadline -- Sept. 30, 1981.)

FIGURE VI.1  
SUMMARY - ACTION PLAN FOR IMPLEMENTATION OF THE 1990 MANAGEMENT STRATEGY

Strategy Area/Issue	Milestones/Outputs:				
	March 31, 1981	June 30, 1981	September 30, 1981	December 31, 1981	1982 & Later
FEDERAL ROLE UNDER DELEGATION					
1. Draft major policy statement	x				
2. Consider legislative change to grant mechanism					
a. Draft paper, language & supporting memo	x				
b. Prepare impact analysis		x			
c. Prepare resource analysis		x			
d. Submit proposal to Agency for approval			x		
e. Submit to Congress					x
FEDERAL POLICY AND MANAGEMENT TO REACH ENVIRONMENTAL MANAGER ROLE					
3. Draft policy, regulatory & legislative changes					
a. Propose legislative proposal & support memo					x

FIGURE VI.1  
SUMMARY - ACTION PLAN FOR IMPLEMENTATION OF THE 1990 MANAGEMENT STRATEGY

Strategy Area/Issue	Milestones/Outputs:				
	March 31, 1981	June 30, 1981	September 30, 1981	December 31, 1981	1982 & Later
b. Propose regulatory proposal & support memo		x			
c. Issue new delegation policy	x				
d. Analyze delegation plans State-by-State					
e. Propose legislative change on funding	x				
f. Renegotiate with Corps.		x			
g. Pilot study to delegate NEPA					
4. Develop EPA assistance package					
ONGOING MONITORING & OVERSIGHT OF STATES					
5. Develop policy & guidelines					
a. Draft basic monitoring framework	x				
b. Assemble workgroup	x				
c. Complete prototype Management Evaluation Strategy		x			



FIGURE VI.1  
SUMMARY - ACTION PLAN FOR IMPLEMENTATION OF THE 1990 MANAGEMENT STRATEGY

Strategy Area/Issue	Milestones/Outputs:				
	March 31, 1981	June 30, 1981	September 30, 1981	December 31, 1981	1982 & Later
d. Issue draft strategy		x			
e. Issue final strategy			x		
ON-GOING PROGRAM ASSIST- ANCE TO STATES					
6. Develop Technical Support package					
a. Draft support strategy	x				
b. Complete prototype support centers and other aids		x			
c. Issue support package		x			
d. Complete internal agency changes to accommodate support initiative				x	
7. Develop Program Management Support Package for States		x			
8. Develop National Management Information System					

FIGURE VI.2  
PROPOSED LEGISLATIVE CHANGES TO  
IMPLEMENT MANAGEMENT STRATEGY

Federal Role Under Delegation

- No legislative changes proposed.

Federal Policy to Reach Full and Effective Delegation

- Re-classify all activities as delegable including NEPA.
- Change legislation to grant EPA authority to use the State 2% of funds (205(g)) if a State does not sign a new delegation agreement by 12/31/82.

On-Going Oversight of State Programs

- Change legislation to give EPA authority to terminate or suspend construction grants assistance to projects in a State with poor and deteriorating program performance.

On-Going Assistance to States to Improve Performance

- No legislative changes needed.

## APPENDIX A DELEGABLE AND NONDELEGABLE ACTIVITIES

### Category 1--Nondelegable Activities

Priority List Review and Acceptance  
Finding of No Significant Impact (FNSI) and EIS  
Disputes, Appeals, Protests  
States Agreement Management (Delegation)  
Negotiation of State Agreements and Amendments  
Construction Mgt. Assistance Grant Management  
Corps Agreement Management

### Category 2--Technically Nondelegable Activities

#### Step 1

Processing Step 1 Grant Offers  
MBE Review  
Payments  
Grant Amendments  
Review of Environmental Information Document  
and Preparation of Environmental Assessment  
Public Hearings

#### Step 2/2+3

Processing of Step 2/2+3 Grant Offers  
MBE Review  
Payments  
Grant Amendments

#### Step 3

Processing of Step 3 Grant Offers  
MBE Review  
Payments  
Grant Amendments  
Interim Audit Resolution  
Final Audit Resolution

#### Support Activities

Inquiry Response (FOI, Congressional, OMB, GAO)  
Construction Grants Program Planning (including ZBB)

### Category 3--Delegable Activities

#### Step 1

Preapplication Conference  
Plan of Study  
Review of Application & Clearinghouse Comments  
Review of Prop. Eng. Contr.  
Overall Management of Projects  
Mid-Course Facility Planning Reviews  
Public Participation Programs  
Review of Facility Plan (excluding I/I EAS)  
I/I Analysis  
Sewer System Evaluation Survey  
Review of Facility Plan from an Operability Stand

#### Step 2

Administrative Review of Application  
Review of Proposed Engineering Contract  
(Including Overall Management of Project)  
Predesign Conference  
In-Process Design Reviews  
Technical & Administrative Review of F&S  
Constructability & Biddability  
Draft Plan of Operation Review  
Review of UC/ICR System  
Assessment of the Operability/Maintainability  
Review of VE

#### Step 3

Administrative Review of Application  
Review of Proposed Engineering Contracts  
Overall Management of Project Reconstruction  
Preconstruction Conference  
Bid Package Review  
Overall Management of Projects  
Processing Change Orders  
Interim Inspections  
Plan of Operation Review & Tracking of Compliance  
O&M Manual Review  
Sewer Use Ordinance Review  
UC System Review  
1 Year Follow-up O&M Inspection  
Review of Pretreatment Plan  
Start-up Services  
Final Project Inspection and Certification  
Operability  
Project Close-out

#### Support Activities

Information Control & Support of RCGM

Source: Background Paper, Current Use of Resources, July 15, 1980.

## APPENDIX B

### CURRENT MANAGEMENT OPTION WITH EXISTING EPA RESOURCES--SUMMARY

For the last several years, the EPA construction grants program has systematically developed a national priority scheme as part of the budget and planning process, to ensure effective targeting of limited EPA resources. EPA recognized early that major increases in personnel resources were needed to implement the 1972 Clean Water Act Amendments and the mid-course correction amendments in 1977. Despite substantial increases in staff in FY 75 and FY 77, however, the full resources needed to properly run the program were not forthcoming.

To meet the manpower deficit, therefore, EPA took steps to supplement the EPA personnel base with other resources approaches. The two most productive approaches were:

- To negotiate an interagency agreement with the Corps of Engineers to provide 600 workyears for Step 3 construction grants management (signed January 2, 1978); and
- To actively encourage delegation of program activities to the States, both through administrative actions (i.e., changes to the regulations to allow fee plans and selective certifications to States), and legislative recommendations (resulting in Section 205(g) enactment in December 1977).

A further action to address the resource problem involved the negotiation of a major EIS mission contract to draft most environmental impact statements for the construction grants program. In addition, a variety of actions were undertaken to streamline program operations to make more effective use of the resources available.

Since FY 78, the national program has issued an annual priority scheme that ranked activities according to their relative importance to meet Agency priorities. Activities ranked highest were to have full resource coverage; activities ranked lower were to have less than full coverage, down to certain activities that were to be cut entirely. This priority scheme was first established through a series of Regional/Headquarters meetings during the budgeting process in FY 78, and has been modified annually since then based on conditions unique to each fiscal year. It is used as the principal analytical tool for

the zero based budgeting (ZBB) process, the Regional resource allocation exercise, and in evaluating performance of the Regional offices.

The basic priority scheme chosen, called the "Quality with Reality Emphasis" (Management Option D), considered the relative importance of each of the 75 program activities to meet the most critical immediate concerns of Agency management, Congress, OMB, and the public. In general, it was intended to cover highly visible Congressional actions, annual administration priorities (MBE, Outlay Management), and Agency initiatives. It was very responsive to activities that (a) appeared to have the greatest short-term benefit to the various Agency clientele, (b) are virtually nondiscretionary (e.g., Congressional inquiry response, bid protests, ZBB), and (c) are critical to fiscal management. It is less responsive to those activities that (a) are related to non-delegated intermediate project management and meetings (e.g., mid-course facility planning meetings), (b) delegation monitoring once the initial State grant is made, and (c) non-delegated selected front end technical reviews (e.g., infiltration/inflow analysis). This option reflects the crisis oriented reality of current EPA program management, but acknowledges the Agency and Congressional emphasis on program quality and effectiveness.

This option is the only option, that is able to balance short-term nondiscretionary activities with an attempt to implement the major quality objectives set out in Agency policy and the Clean Water Act of 1977. The option explicitly continues the management by crisis mode of prior years. Full implementation of delegation was expected to considerably soften this tradeoff and allow more complete program coverage.

The approach to defining this option was to group activities into four categories, reflecting the relative level of EPA effort necessary to meet objectives of option, against the total "prudent manager" level defined in the workload analysis:\*

(a) Maintain full effort:

AWT Review, Priority List Review, Public Participation, Negative Declaration, Final Project Inspections, Project Close Out, Inquiry Response, Dispute Resolution, Grant Officer Processing Payment, Change Orders, MBE Review.

\*This option prioritizes EPA effort only. State and Corps delegated activities are assumed to be maintained at Prudent Manager levels. The reduction recommended is from full effort, and did not necessarily imply a cutback from current program effort.

(b) Reduce Effort to 80%:

Project Management (All Steps), Facility Planning Review, Audit Resolution, Corps Oversight, Review of Environmental Assessment, EIS Preparation, Program Planning (ZBB).

(c) Reduce Effort to 50%:

Mid-Course Meeting, Preapplication Conference, State Delegation Management and Monitoring, Review of Engineering Contracts, Needs Survey coordination, RC GMIS Support.

(d) Reduce Effort to 20%:

Infiltration/Inflow Analysis, Design Conferences and Reviews, Review of Grant Amendments (Steps 1 and 2).

The basic priority scheme was substantially modified for the FY 82 budget planning process just completed, in anticipation of recommendations from the 1990 study. The modifications reflect the 1990 basic thrust by reorienting the construction grants program from one of direct operations to a program of overall management, oversight, and technical assistance. The purpose is to leverage the program's relatively scarce federal resources to make maximum use of not only State and COE resources (through 205(g) and COE delegation agreements, respectively), but also resources in the municipalities, the consulting engineering field, and the construction industry as a whole. There are six basic new initiatives, in the following areas:

- Integrated Waste Management
- Innovative/Alternative Technology
- Municipal Self-Sufficiency
- Operations and Management
- Service Centers
- Quality Assurance of Delegation.

The decision was to staff these new initiatives within current resources, thus cutting into traditional operations more severely than with the old Management Option D approach. The major steps in the computation, based on use of the construction grants resource model, were as follows:

	<u>Workyears</u>
Total EPA Resource Need (Level 5)	1,286
Less: Management Option D (incl. Corps Standardization)	-553
Less: Other Adjustments Downward per 1990 Thrust	-141
Total Resources for Traditional Program	592
Plus: Adjustments Upward per 1990 Thrust (other than six new initiatives)	+104
Plus: Integrated Waste Management	+30
Innovative Alternative Technology	+15
Municipal Self Sufficiency	+50
Operations and Management	+20
Service Centers (Partial Implementation)	+30
Quality Assurance of Delegation	+50
	<hr/>
Current Resources in Program (Level 3)	891

A detailed outline of this management option is contained in the FY 82 workload analysis for construction grants.

## APPENDIX C

### LISTING OF STAFF PAPERS WRITTEN FOR MANAGEMENT STRATEGY

#### National Program Objectives, Roles and Functions

1. Roles of EPA in Construction Grants (6-5-80); Digest of Roles (7-9-80).
2. Impact of Other Federal Laws on Operations (9-30-80).
3. FY 1982 Workload Analysis for Construction Grants (8-26-80).

#### Delegation of Program Operations Under Franchiser Role

1. Regional Oversight of State Programs (10-8-80); Summary 10-2-80.
2. State Resources 1990 Strategy Background Paper (9-29-80); Summary (9-29-80)
3. Evaluation of Operational Issues in State Delegation (Walker Study) (11-80).
4. Role of the Corps of Engineers (9-29-80).
5. Strong Audits; An Essential Ingredient in Delegation Construction Grants (9-15-80).

#### Innovative Management Approaches and Initiatives

1. Technical Support Centers (8-20-80).
2. Grantee Marketing in the Construction Grants Program (8-20-80).
3. Peer Review Concept (7-1-80).
4. Certification (7-21-80).
5. Options for Third Party Management of Construction Grants for Small Communities (9-5-80); Summary (9-5-80).
6. State Priority List for Construction Grants (5-30-80).
7. State Project Priority Systems and Lists (9-4-80).
8. Early Environmental Assessment in the Construction Grants Process (8-22-80).



9. Fiscal Assessment and Financial Planning (7-21-80).
10. Use of IPAs or Other Personnel Transfer Mechanisms.

National Program Management Systems

1. National Program Management (9-29-80).
2. Defining a Management Process (10-22-80).

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